

**STATE OF NEW MEXICO**

**VILLAGE OF MAXWELL**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2017**

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## **INTRODUCTORY SECTION**

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State of New Mexico  
 Village of Maxwell  
 ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2017

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OFFICIAL ROSTER  
June 30, 2017

**Name**

**Title**

Don Flynn

Mayor

Village Council

Ben Garcia

Mayor Pro Tem

Steve Pompeo

Council Member

Linda McFadden

Council Member

Shantelle Gallegos

Council Member

Village Officials

Shawn Jeffrey, MMC

Clerk/Treasurer

Joy Terry

Deputy Clerk

Elmer Chavez

Maintenance Supervisor

Terry Baca

Housing Authority – Executive  
Director

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Village of Maxwell  
Maxwell, New Mexico

### **Report on Financial Statements**

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund of the Village of Maxwell (the "Village") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Village of Maxwell's basic financial statements as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employees Retirement Association (PERA), the administrator of the cost sharing pension plan for the Village. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Village, is based solely on the report of the other auditors.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village of Maxwell's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Maxwell's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We were not able to obtain sufficient and appropriate audit evidence to provide a basis for our audit opinions

### **Basis for Disclaimer of Opinion**

The Village of Maxwell was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Village's financial statements as of and for the year ended June 30, 2017, particularly with respect to the revenues, expenditures and capital assets.

It was impracticable to extend our audit procedures sufficiently to determine the extent to which Village of Maxwell's financial statements as of and for the year ended June 30, 2017 may have been affected by the matters discussed in the preceding paragraph;

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accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements as of and for the year ended June 30, 2017.

### **Disclaimer of Opinion**

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13-20, the Schedule of Proportionate Share of Net Pension liability on page 69, the Schedule of Contributions on page 71, and the notes to required supplementary information on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our engagement to audit the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on Village of Maxwell's financial statements, that collectively comprise the Village of Maxwell's basis financial statements.

The combining and individual fund financial statements, and other supplemental information required by 2.2.2 NMAC, presented in the supplementary information section of the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and other Schedules, presented in the supplementary information section of the Table of Contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017 on our consideration of the Village of Maxwell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Maxwell's internal control over financial reporting and compliance.

*Precision Accounting, LLC*

Precision Accounting, LLC  
Albuquerque, New Mexico  
October 13, 2017

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Management's Discussion and Analysis  
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As management of the Village of Maxwell, we offer readers of the Village of Maxwell's financial statements this narrative overview and analysis of the financial activities of the Village of Maxwell for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements of the Village of Maxwell and additional information provided.

**FINANCIAL HIGHLIGHTS**

- The assets \$2,362,070 of the Village of Maxwell exceeded its liabilities of \$233,799 at the close of the most recent fiscal year by \$2,128,271 (*net position*). Of this amount, \$174,767 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$263,030 during the fiscal year.
- As of June 30, 2017, the Village's governmental funds reported combined ending fund balances of \$538,286 of this total; \$239,200 is restricted for special revenue funds and \$115 is restricted for capital projects funds.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village of Maxwell's basic financial statements. The Village of Maxwell's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Maxwell's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Village of Maxwell's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village of Maxwell is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Maxwell that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Maxwell include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Village include Garbage, Sewer and Water Utility billing, Cemetery services and various licensing.

The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Maxwell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Maxwell can be divided into two categories: governmental funds and proprietary funds.

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*Governmental Funds.* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Village's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Maxwell maintains seven individual governmental funds organized according to their type. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Maxwell adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

*Proprietary funds.* Proprietary funds are generally used to account for services for which the Village charges customers either outside customers or internal units or departments of the Village. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-56 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 63-85 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the third year that the Village has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements –and Management's Discussion and Analysis (MD&A) -for State and Local Governments*.

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Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Maxwell, the governmental activities assets exceeded liabilities by \$909,462 at the close of the current fiscal year.

The largest portion of the Village of Maxwell's net position represents the Village's investment of \$1,628,359 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. The Village of Maxwell uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Maxwell's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| <b>Village of Maxwell's Net Position</b>                           |               |                   |            |               |                   |             |
|--|---------------|-------------------|------------|---------------|-------------------|-------------|
|  | June 30, 2017 |                   |            | June 30, 2016 |                   |             |
|  | Governmental  | Business-<br>Type | Total      | Governmental  | Business-<br>Type | Total       |
| <b>Assets</b>  |               |                   |            |               |                   |             |
| Current and other assets   | \$ 544,137    | \$ 102,919        | \$ 647,056 | \$ 457,517    | \$ 40,822         | \$ 498,339  |
| Capital assets, net of accumulated depreciation                    | 513,040       | 1,115,319         | 1,628,359  | 427,134       | 1,010,785         | 1,437,919   |
| Total Assets   | 1,057,177     | 1,218,238         | 2,275,415  | 884,651       | 1,051,607         | 1,936,258   |
| Deferred outflows of resources                                     | 36,181        | -                 | 36,181     | 8,674         | -                 | 8,674       |
| <b>Liabilities</b>   |               |                   |            |               |                   |             |
| Long-term liabilities outstanding                                  | 164,560       | 3,680             | 168,240    | 84,228        | 2,792             | 87,020      |
| Other Liabilities  | 5,851         | 46,223            | 52,074     | 28,650        | 63,309            | 91,959      |
| Total Liabilities  | 170,411       | 49,903            | 220,314    | 112,878       | 66,101            | 178,979     |
| Deferred inflows of resources                                      | 13,485        | -                 | 13,485     | 96,763        | -                 | 96,763      |
| <b>Net position</b>  |               |                   |            |               |                   |             |
| Net investment in Capital Assets                                   | 513,040       | 1,115,319         | 1,628,359  | 292,269       | 1,010,785         | 1,303,054   |
| Restricted   | 325,145       | -                 | 325,145    | 201,942       | -                 | 201,942     |
| Unrestricted   | 71,277        | (103,490)         | 174,767    | 186,648       | (25,279)          | 161,369     |
| Total Net Position   | 909,462       | 1,218,809         | 2,128,271  | 706,048       | 1,021,208         | 1,727,256   |
| Total Liabilities, Deferred inflows of resources, and Net Position | 1,093,358     | 1,268,712         | 2,362,070  | \$ 843,528    | \$ 1,088,561      | \$1,932,089 |

A portion of the Village of Maxwell's net position represents resources that are subject to restrictions. The restrictions relate to capital projects and debt service.

At the end of the current fiscal year, the Village of Maxwell is able to report positive balances in all of the categories of net position, for the government as a whole as well as for the business-type activities.

The Village of Maxwell's total net position increased by \$(263,030) during the current fiscal year. This increase is explained in the government and business-type activities discussion below, and is primarily a result of the Maxwell Housing Authority becoming a department of the Village during the fiscal year.

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Changes in Net Position  
For the Year Ended June 30, 2017

| Analysis of Changes in Net Position           | Governmental Activities | Business-Type Activities | Total        |
|---|-------------------------|--------------------------|--------------|
| <b>Revenue</b>                                |                         |                          |              |
| <b>Program revenue</b>                        |                         |                          |              |
| Charges for Service                           | \$ 12,570               | \$ 238,872               | \$ 251,442   |
| Operating grants and contributions            | 191,057                 | -                        | 191,057      |
| Capital Grants and Contributions              | 168,660                 | -                        | 168,660      |
| <b>General Revenue</b>                        |                         |                          |              |
| Property Tax                                  | 10,719                  | -                        | 10,719       |
| Franchise Tax                                 | 17,061                  | -                        | 17,061       |
| Gross Receipts Tax                            | 31,254                  | -                        | 31,254       |
| Public Service Tax                            | 7,382                   | -                        | 7,382        |
| Interest Income                               | 1,134                   | 480                      | 1,614        |
| Miscellaneous Revenues                        | 159,551                 | 74,256                   | 233,807      |
| Total Revenue                                 | 599,388                 | 313,608                  | 912,996      |
| <b>Expenses</b>                               |                         |                          |              |
| General Government                            | 195,643                 | -                        | 195,643      |
| Public Safety                                 | 54,940                  | -                        | 54,940       |
| Culture and Recreation                        | -                       | -                        | -            |
| Health and Welfare                            | -                       | -                        | -            |
| Public Works                                  | 85,880                  | -                        | 85,880       |
| Capital Outlay                                | -                       | -                        | -            |
| Proprietary Funds                             | -                       | 186,319                  | 186,319      |
| Cemetery                                      | -                       | 1,027                    | 1,027        |
| Housing Authority                             | -                       | 126,157                  | 126,157      |
| Total Expenses                                | 336,463                 | 313,503                  | 649,966      |
| (Decrease) Increase in Assets before transfer | 254,077                 | 8,953                    | 263,030      |
| Transfers                                     | (8,848)                 | 8,848                    | -            |
| (Decrease) Increase in Net position           | 254,077                 | 8,953                    | 263,030      |
| Net position, Beginning of Year restated      | 655,385                 | 1,209,856                | 1,865,241    |
| Ending Net position                           | \$ 909,462              | \$ 1,218,809             | \$ 2,128,271 |

Governmental activities: Governmental activities increased the Village of Maxwell's net position by \$254,077. The key element of this increase is a result of the the Village receiving capital grants and contributions an additional tax monies.

Business-type activities: Business-type activities increased the Village's net position by \$(8,953). The key element of this is that the Maxwell Housing Authority is now a department of the Village.

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Changes in Net Position  
For the Year Ended June 30, 2016

|   | Governmental<br>Activities | Business-Type<br>Activities | Total        |
|---|----------------------------|-----------------------------|--------------|
| <b>Revenue</b>                                |                            |                             |              |
| <b>Program revenue</b>                        |                            |                             |              |
| Charges for Service                           | \$ 78,225                  | \$ 116,149                  | \$ 194,374   |
| Operating grants and contributions            | 136,992                    | -                           | 136,992      |
| Capital Grants and Contributions              | -                          | -                           | -            |
| <b>General Revenue</b>                        |                            |                             |              |
| Property Tax                                  | 14,088                     | -                           | 14,088       |
| Franchise Tax                                 | -                          | -                           | -            |
| Gross Receipts Tax                            | 25,055                     | -                           | 25,055       |
| Public Service Tax                            | -                          | -                           | -            |
| Interest Income                               | 88                         | -                           | 88           |
| Miscellaneous Revenues                        | 115,634                    | -                           | 115,634      |
| Total Revenue                                 | 357,402                    | 116,149                     | 473,551      |
| <b>Expenses</b>                               |                            |                             |              |
| General Government                            | 280,852                    | -                           | 280,852      |
| Public Safety                                 | 47,086                     | -                           | 47,086       |
| Culture and Recreation                        | 29,371                     | -                           | 29,371       |
| Health and Welfare                            | 58,388                     | -                           | 58,388       |
| Public Works                                  | 12,604                     | -                           | 12,604       |
| Capital Outlay                                | -                          | -                           | -            |
| Proprietary Funds                             | -                          | 152,365                     | 152,365      |
| Total Expenses                                | 428,301                    | 152,365                     | 580,666      |
| (Decrease) Increase in Assets before transfer | (56,940)                   | (36,177)                    | (93,117)     |
| Transfers                                     | 1,279                      | -                           | 1,279        |
| (Decrease) Increase in Net position           | (56,940)                   | (36,177)                    | (93,117)     |
| Net position, Beginning of Year, restated     | 737,799                    | 1,021,683                   | 1,759,482    |
| Ending Net position                           | \$ 680,859                 | \$ 985,506                  | \$ 1,666,365 |

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FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village of Maxwell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Village of Maxwell's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Maxwell's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The types of Governmental funds reported by the Village include the General Fund, Special Revenue Funds, and Capital Project Funds.

As of the end of the current fiscal year, the Village of Maxwell's governmental funds reported combined ending fund balances of \$538,286 an increase of \$109,419 in comparison with the prior year. Of this amount, \$298,971 constitutes *unreserved fund balance*, which is available for spending at the government's discretion, \$239,200 constitutes reserved fund balances for special revenues and \$115 reserved fund balances for capital projects funds.

Revenues for governmental activities overall totaled \$513,558 in the fiscal year ended June 30, 2017, which represents an increase of \$208,549 from the fiscal year ended June 30, 2016. Expenditures for governmental activities, totaling \$398,341 increased by \$104,089 from the fiscal year ended June 30, 2016. In the fiscal year ended June 30, 2017, revenues exceeded expenditures by \$115,217.

The General Fund is the chief operating fund of the Village of Maxwell. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$298,971 of which was also unassigned.

The fund balance of the Village of Maxwell's general fund increased by \$36,001 during the current fiscal year due to an increase in revenues.

*CDBG Capital Project Fund.* The CDBG Capital Project Fund has a fund balance of \$115.

*Proprietary Funds.* The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the net position for the Joint Utility Fund, the Cemetery Fund, and the Housing Authority was \$986,698, \$6,597 and \$225,514 respectively. The change in net position for the proprietary funds was \$233,303. Factors concerning the finances of this fund have been addressed previously in the discussion of the Village's business-type activities.

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General Fund Budgetary Highlights

The Village budgets reflect the same pattern as seen in the revenue and expenditures of the Village. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the Village level, the Village of Maxwell utilizes goals and objectives defined by the Village Councilors, community input meetings, long term plans and input from various staff groups to develop the Village budget. The Village priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Expenditure Budget Performance

| Final Budget | Actual non-GAAP<br>Cash Basis | Favorable/(Unfavorable)<br>Variance |
|--------------|-------------------------------|-------------------------------------|
| \$319,500    | \$254,159                     | \$65,341                            |

The Capital Project Funds are included in the original budget which is submitted to the Department of Finance and Administration (DFA). However, these funds are spent on a project-by-project basis so the budgets are constantly changing. The individual project budgets for these funds are created during the year through budget adjustment requests (BAR's).

Capital Asset and Debt Administration

Capital assets. The Village of Maxwell's capital assets for its governmental and business-type activities as of June 30, 2017 amount to \$1,628,359 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and equipment. There was a \$101,794 increase to the Village's governmental capital assets (excluding accumulated depreciation) for the current fiscal year due to the additions of equipment and construction in progress. There was not an increase (excluding accumulated depreciation) in business-type capital assets or the Housing Authority's capital assets during the current fiscal year.

Capital Assets, June 30, 2017

|   | Governmental<br>Activities | Business-Like<br>Activities | Housing<br>Authority | Total        |
|---|----------------------------|-----------------------------|----------------------|--------------|
| Land  | \$ 47,931                  | \$ -                        | \$ 5,000             | \$ 52,931    |
| Buildings & Improvements                        | 904,218                    | -                           | 924,589              | 1,828,807    |
| Non-Dwelling Structures                         | -                          | -                           | 66,936               | 66,936       |
| Equipment                                       | 837,220                    | 44,162                      | 32,977               | 914,359      |
| Water & Sanitation Plant                        | -                          | 1,694,131                   | -                    | 1,694,131    |
| Construction in Progress                        | 85,830                     | -                           | -                    | 85,830       |
| Total capital assets                            | 1,875,199                  | 1,738,293                   | 1,029,502            | 4,642,994    |
| Accumulated depreciation                        | (1,362,159)                | (774,296)                   | (878,180)            | (3,014,635)  |
| Capital assets, net of accumulated depreciation | \$ 513,040                 | \$ 963,997                  | \$ 151,322           | \$ 1,628,359 |

STATE OF NEW MEXICO  
Village of Maxwell  
Management's Discussion and Analysis  
for the Year Ended June 30, 2017  
Unaudited

Village of Maxwell's Outstanding Debt

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 7 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration- At the end of the current fiscal year, the Village of Maxwell had no long-term obligations, only long-term accrued compensated absences of \$1,725 in the business-like activities

See Note 8 in the accompanying Notes to the Financial Statements for further information regarding the Village of Maxwell's long-term debt.

Economic Factors and Next Year's Budgets and Rates

The Village of Maxwell has the approval of federal funding to explore water resources over the next couple of years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Maxwell's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

The Village of Maxwell Administration, Joy Terry, Village Clerk, Village of Maxwell, P.O. Box 356, 316 Maxwell Ave., Maxwell, New Mexico, 87728.



**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF NET POSITION**  
June 30, 2017

Exhibit A-1

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>        |
|---|------------------------------------|-------------------------------------|---------------------|
| <b>Assets</b>                                 |                                    |                                     |                     |
| Current Assets                                |                                    |                                     |                     |
| Cash and cash equivalents                     | \$ 537,358                         | \$ 65,611                           | \$ 602,969          |
| Taxes receivable                              | -                                  | -                                   | -                   |
| Accounts receivable                           | 5,390                              | 29,336                              | 34,726              |
| Prepaid expenses                              | -                                  | 94                                  | 94                  |
| Due from other funds                          | 1,389                              | -                                   | 1,389               |
| Inventory                                     | -                                  | 7,878                               | 7,878               |
|   | <u>544,137</u>                     | <u>102,919</u>                      | <u>647,056</u>      |
| Total Current Assets                          |                                    |                                     |                     |
| Noncurrent Assets                             |                                    |                                     |                     |
| Restricted Cash                               | -                                  | 50,474                              | 50,474              |
| Capital assets                                | 1,875,199                          | 2,760,870                           | 4,636,069           |
| Less: accumulated depreciation                | (1,362,159)                        | (1,645,551)                         | (3,007,710)         |
| Total Capital Assets                          | <u>513,040</u>                     | <u>1,115,319</u>                    | <u>1,628,359</u>    |
| Deferred outflows of resources                |                                    |                                     |                     |
| Deferred outflows of resources related to NPL | <u>36,181</u>                      | <u>-</u>                            | <u>36,181</u>       |
| Total Deferred outflows of resources          | <u>36,181</u>                      | <u>-</u>                            | <u>36,181</u>       |
|   | <u>549,221</u>                     | <u>1,165,793</u>                    | <u>1,715,014</u>    |
| Total Noncurrent Assets                       |                                    |                                     |                     |
| Total Assets                                  | <u>\$ 1,093,358</u>                | <u>\$ 1,268,712</u>                 | <u>\$ 2,362,070</u> |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF NET POSITION**  
June 30, 2017

Exhibit A-1

|  | Governmental<br>Activities | Business-type<br>Activities | Total               |
|--|----------------------------|-----------------------------|---------------------|
| <b>Liabilities</b>   |                            |                             |                     |
| Current Liabilities  |                            |                             |                     |
| Accounts payable   | \$ 2,592                   | \$ 17,908                   | \$ 20,500           |
| Accrued salaries and benefits  | 1,870                      | 8,698                       | 10,568              |
| Prepaid Rent   | -                          | -                           | -                   |
| Tenant Security Deposits   | -                          | 19,617                      | 19,617              |
| Accrued compensated absences   | -                          | -                           | -                   |
| Due to other funds   | 1,389                      | -                           | 1,389               |
| <b>Total Current Liabilities</b>   | <b>5,851</b>               | <b>46,223</b>               | <b>52,074</b>       |
| Noncurrent Liabilities   |                            |                             |                     |
| Accrued Compensated Absences   | -                          | 3,680                       | 3,680               |
| Net Pension Liability  | \$ 164,560                 | -                           | 164,560             |
| <b>Total Noncurrent Liabilities</b>                                      | <b>164,560</b>             | <b>3,680</b>                | <b>168,240</b>      |
| <b>Total Liabilities</b>   | <b>170,411</b>             | <b>49,903</b>               | <b>220,314</b>      |
| Deferred inflows of resources  |                            |                             |                     |
| Deferred inflows of resources related to NPL                             | 13,485                     | -                           | 13,485              |
| <b>Total Deferred inflows of resources</b>                               | <b>13,485</b>              | <b>-</b>                    | <b>13,485</b>       |
| <b>Net Position</b>  |                            |                             |                     |
| Net Investment in Capital Assets   | 513,040                    | 1,115,319                   | 1,628,359           |
| Restricted for:  |                            |                             |                     |
| Capital projects   | 85,945                     | -                           | 85,945              |
| Special revenue funds  | 239,200                    | -                           | 239,200             |
| Debt Service funds   | -                          | -                           | -                   |
| Unrestricted   | 71,277                     | 103,490                     | 174,767             |
| <b>Total Net Position</b>  | <b>909,462</b>             | <b>1,218,809</b>            | <b>2,128,271</b>    |
| <b>Total Liabilities, Deferred inflows of resources and Net Position</b> | <b>\$ 1,093,358</b>        | <b>\$ 1,268,712</b>         | <b>\$ 2,362,070</b> |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF ACTIVITIES**  
For the Year Ending June 30, 2017

Exhibit A-2

|                                       | <b>Program Revenues</b> |                                       |                   |
|---------------------------------------|-------------------------|---------------------------------------|-------------------|
| Expenses                              | Charges for<br>Services | Operating Grants<br>and Contributions |                   |
| <b>Primary Government</b>             |                         |                                       |                   |
| General government                    | \$ 221,117              | \$ 12,570                             | \$ 95,390         |
| Public safety                         | 54,940                  | -                                     | 95,667            |
| Public works                          | 85,880                  | -                                     | -                 |
| Culture and recreation                | -                       | -                                     | -                 |
| Health and welfare                    | -                       | -                                     | -                 |
| Capital Outlay                        | -                       | -                                     | -                 |
|                                       | <u>361,937</u>          | <u>12,570</u>                         | <u>191,057</u>    |
| <i>Total governmental activities</i>  |                         |                                       |                   |
| <b>Business-type Activities:</b>      |                         |                                       |                   |
| Housing Authority                     | 126,157                 | 126,913                               | -                 |
| Cemetery                              | 1,027                   | 1,850                                 | -                 |
| Joint Utilities                       | 186,319                 | 110,109                               | -                 |
|                                       | <u>313,503</u>          | <u>238,872</u>                        | <u>-</u>          |
| <i>Total business type activities</i> |                         |                                       |                   |
|                                       | <u>\$ 675,440</u>       | <u>\$ 251,442</u>                     | <u>\$ 191,057</u> |

**General Revenues:**

Taxes

Property taxes, levied for general purposes

Gross receipts taxes

Public service taxes

Franchise taxes

Interest income

Miscellaneous income

Transfers

Total General Revenues and Transfers

Changes in net position

Net position, beginning

Restatement for Net Pension Liability

Net Position, restated

Net position, ending

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF ACTIVITIES**  
For the Year Ending June 30, 2017

Exhibit A-2

| <u>Program Revenues</u>             | <u>Net Program (Expense) Revenue and Changes in Net Position</u> |                                |                     |
|-------------------------------------|--|--------------------------------|---------------------|
|                                     | <u>Primary Government</u>  |                                |                     |
| Capital Grants and<br>Contributions | Government<br>Activities   | Business<br>Type<br>Activities | Total               |
| \$ -                                | \$ (113,157)   | \$ -                           | \$ (113,157)        |
| -                                   | 40,727   | -                              | 40,727              |
| 168,660                             | 82,780   | -                              | 82,780              |
| -                                   | -  | -                              | -                   |
| -                                   | -  | -                              | -                   |
| -                                   | -  | -                              | -                   |
| <u>168,660</u>                      | <u>10,350</u>  | <u>-</u>                       | <u>10,350</u>       |
| -                                   | -  | 756                            | 756                 |
| -                                   | -  | 823                            | 823                 |
| -                                   | -  | (76,210)                       | (76,210)            |
| <u>-</u>                            | <u>-</u>   | <u>(74,631)</u>                | <u>(74,631)</u>     |
| <u>\$ 168,660</u>                   | <u>10,350</u>  | <u>(74,631)</u>                | <u>(64,281)</u>     |
|                                     | 10,719   | -                              | 10,719              |
|                                     | 31,254   | -                              | 31,254              |
|                                     | 7,382  | -                              | 7,382               |
|                                     | 17,061   | -                              | 17,061              |
|                                     | 1,134  | 480                            | 1,614               |
|                                     | 159,551  | 74,256                         | 233,807             |
|                                     | (8,848)  | 8,848                          | -                   |
|                                     | <u>218,253</u>   | <u>83,584</u>                  | <u>301,837</u>      |
|                                     | 228,603  | 8,953                          | 237,556             |
|                                     | 680,859  | 1,176,385                      | 1,857,244           |
|                                     | -  | 33,471                         | 33,471              |
|                                     | <u>680,859</u>   | <u>1,209,856</u>               | <u>1,890,715</u>    |
|                                     | <u>\$ 909,462</u>  | <u>\$ 1,218,809</u>            | <u>\$ 2,128,271</u> |

STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

|  | General Fund      | Other<br>Governmental<br>Funds | Total             |
|--|-------------------|--------------------------------|-------------------|
| <i>Assets</i>  |                   |                                |                   |
| Cash and cash equivalents  | \$ 295,325        | \$ 242,033                     | \$ 537,358        |
| Investments  | -                 | -                              | -                 |
| Taxes receivable   | 5,390             | -                              | 5,390             |
| Other receivables  | -                 | -                              | -                 |
| Due from other funds   | 1,389             | -                              | 1,389             |
| <i>Total assets</i>  | <u>\$ 302,104</u> | <u>\$ 242,033</u>              | <u>\$ 544,137</u> |
| <i>Liabilities and fund balances</i>                                       |                   |                                |                   |
| <i>Liabilities</i>   |                   |                                |                   |
| Accounts payable   | \$ 1,263          | \$ 1,329                       | \$ 2,592          |
| Accrued salaries and benefits  | 1,870             | -                              | 1,870             |
| Accrued compensated absences   | -                 | -                              | -                 |
| Due to other funds   | -                 | 1,389                          | 1,389             |
| <i>Total liabilities</i>   | <u>3,133</u>      | <u>2,718</u>                   | <u>5,851</u>      |
| <i>Deferred inflows of resources</i>                                       |                   |                                |                   |
| Unavailable revenue-property taxes   | -                 | -                              | -                 |
| <i>Total deferred inflows of resources</i>                                 | <u>-</u>          | <u>-</u>                       | <u>-</u>          |
| <i>Fund Balances</i>   |                   |                                |                   |
| Fund Balance   |                   |                                |                   |
| Restricted for:  |                   |                                |                   |
| General Fund   | -                 | -                              | -                 |
| Special Revenue Funds  | -                 | 239,200                        | 239,200           |
| Capital Projects Funds   | -                 | 115                            | 115               |
| Debt Service Funds   | -                 | -                              | -                 |
| Committed for:   |                   |                                |                   |
| General Fund   | -                 | -                              | -                 |
| Special Revenue Funds  | -                 | -                              | -                 |
| Capital Projects Funds   | -                 | -                              | -                 |
| Assigned for:  |                   |                                |                   |
| General Fund   | -                 | -                              | -                 |
| Special Revenue Funds  | -                 | -                              | -                 |
| Capital Projects Funds   | -                 | -                              | -                 |
| Unassigned for:  |                   |                                |                   |
| General Fund   | 298,971           | -                              | 298,971           |
| <i>Total fund balances</i>   | <u>298,971</u>    | <u>239,315</u>                 | <u>538,286</u>    |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 302,104</u> | <u>\$ 242,033</u>              | <u>\$ 544,137</u> |

STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
RECONCILIATION OF BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2017

Exhibit B-1  
Page 2 of 2

Amounts reported for governmental activities in the statements of net position are different because:

|   |    |                       |
|---|----|-----------------------|
| Fund balances - total governmental funds  | \$ | 538,286               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds                    |    | 513,040               |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds |    |                       |
| Net Pension Liability   |    | (164,560)             |
| Deferred Inflows and Outflows   |    | <u>22,696</u>         |
| Net position of governmental activities   | \$ | <u><u>909,462</u></u> |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
For the Year Ending June 30, 2017

|  | General Fund      | Other<br>Governmental<br>Funds | Total             |
|--|-------------------|--------------------------------|-------------------|
| <i>Revenues:</i>   |                   |                                |                   |
| Taxes  |                   |                                |                   |
| Gross receipts taxes                                     | \$ 31,254         | \$ -                           | \$ 31,254         |
| Property taxes   | 10,719            | -                              | 10,719            |
| Gasoline tax   | 7,266             | -                              | 7,266             |
| MVD tax  | 88                | -                              | 88                |
| State Grant Income                                       | 90,000            | 178,497                        | 268,497           |
| Charges for services                                     | 5,390             | -                              | 5,390             |
| Licenses and Fees  | 468               | -                              | 468               |
| Investment Income (Loss)                                 | 1,134             | -                              | 1,134             |
| Miscellaneous  | 156,051           | 32,691                         | 188,742           |
| <b>Total Revenues</b>                                    | <b>302,370</b>    | <b>211,188</b>                 | <b>513,558</b>    |
| <i>Expenditures:</i>                                     |                   |                                |                   |
| Current:   |                   |                                |                   |
| General Government                                       | 257,521           | -                              | 257,521           |
| Public Safety  | -                 | 54,940                         | 54,940            |
| Public Works   | -                 | -                              | -                 |
| Culture and Recreation                                   | -                 | -                              | -                 |
| Health and Welfare                                       | -                 | -                              | -                 |
| Capital Outlay   | -                 | 85,880                         | 85,880            |
| Debt Service:  |                   |                                |                   |
| Principal  | -                 | -                              | -                 |
| Interest   | -                 | -                              | -                 |
| <b>Total Expenditures</b>                                | <b>257,521</b>    | <b>140,820</b>                 | <b>398,341</b>    |
| <i>Excess (deficiency) of revenues over expenditures</i> | 44,849            | 70,368                         | 115,217           |
| <i>Other financing sources (uses)</i>                    |                   |                                |                   |
| Transfers In   | -                 | -                              | -                 |
| Transfers (Out)  | (8,848)           | -                              | (8,848)           |
| <i>Total other financing sources (uses)</i>              | (8,848)           | -                              | (8,848)           |
| <i>Net change in fund balance</i>                        | 36,001            | 70,368                         | 106,369           |
| <i>Fund balance - beginning of year</i>                  | 262,970           | 168,947                        | 431,917           |
| <i>Fund balance - end of year</i>                        | <u>\$ 298,971</u> | <u>\$ 239,315</u>              | <u>\$ 538,286</u> |



STATE OF NEW MEXICO  
VILLAGE OF MAXWELL

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ending June 30, 2017

Amounts reported for governmental activities in the statement of activities  
are different because:

|  |                          |
|--|--------------------------|
| Net change in fund balances - total governmental funds   | \$ 106,369               |
| Governmental funds report capital outlays as expenditures. However in<br>the statement of activities, the cost of those assets is allocated over their<br>estimated useful lives and reported as depreciation expense:   |                          |
| Capital expenditures   | 101,794                  |
| Depreciation expense   | (15,888)                 |
| The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial<br>resources to governmental funds, while the repayment of the principal of long-term<br>debt consumes the current financial resources of governmental funds. Neither<br>transaction, however, has any effect on net position. |                          |
| Change in deferred inflows/outflows for Net Pension Liability  | 37,216                   |
| Increase in accrued compensated absences   | <u>(888)</u>             |
| Change in net position of governmental activities  | <u><u>\$ 228,603</u></u> |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

|   | Budgeted Amounts |           | Actual              | Variances                                     |
|---|------------------|-----------|---------------------|---|
|   | Original         | Final     | (Non-GAAP<br>Basis) | Favorable<br>(Unfavorable)<br>Final to Actual |
| <i>Revenues:</i>  |                  |           |                     |   |
| Taxes   | \$ 57,505        | \$ 57,505 | \$ 54,274           | \$ (3,231)                                    |
| State Grant Income  | 90,000           | -         | -                   | -   |
| Charges For Services  | -                | 90,000    | 90,000              | -   |
| Licenses and Fees   | 500              | 500       | 468                 | (32)  |
| Interest Income   | -                | -         | 1,134               | 1,134   |
| Investment Income(Loss)   | -                | -         | -                   | -   |
| Miscellaneous   | 110,060          | 210,060   | 156,051             | (54,009)                                      |
| <i>Total revenues</i>   | 258,065          | 358,065   | 301,927             | (56,138)                                      |
| <i>Expenditures:</i>  |                  |           |                     |   |
| <i>Current:</i>   |                  |           |                     |   |
| General Government  | 319,500          | 319,500   | 254,159             | 65,341  |
| Public Safety   | -                | -         | -                   | -   |
| Public Works  | -                | -         | -                   | -   |
| Culture and Recreation  | -                | -         | -                   | -   |
| Health and Welfare  | -                | -         | -                   | -   |
| Capital Outlay  | -                | -         | -                   | -   |
| <i>Debt Service:</i>  |                  |           |                     |   |
| Principal   | -                | -         | -                   | -   |
| Interest  | -                | -         | -                   | -   |
| <i>Total expenditures</i>   | 319,500          | 319,500   | 254,159             | 65,341  |
| <i>Excess (deficiency) of revenues over expenditures</i>  | (61,435)         | 38,565    | 47,768              | 9,203   |
| <i>Other financing sources (uses)</i>   |                  |           |                     |   |
| Designated Cash   | 61,435           | (38,565)  | -                   | 38,565  |
| Transfers In  | -                | -         | -                   | -   |
| Transfers Out   | -                | -         | (8,848)             | (8,848)                                       |
| <i>Total other financing sources (uses)</i>   | 61,435           | (38,565)  | (8,848)             | 29,717  |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | -                | -         | 38,920              | 38,920  |
| <i>Cash Balance - Beginning of Year</i>   | -                | -         | 256,405             | 256,405                                       |
| <i>Cash Balance - End of Year</i>   | \$ -             | \$ -      | \$ 295,325          | \$ 295,325                                    |
| Excess (deficiency) of revenues over expenditures (Non-GAAP)  |                  |           | \$ 38,920           |   |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals                        |                  |           | (23,931)            |   |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals             |                  |           | 21,012              |   |
| <i>Net Change in Fund Balance (GAAP basis)</i>  |                  |           | \$ 36,001           |   |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
June 30, 2017

|  | <u>Joint Utility Fund</u> | <u>Cemetery</u> | <u>Housing Authority</u> | <u>Total</u>        |
|--|---------------------------|-----------------|--------------------------|---------------------|
| <i>Assets</i>  |                           |                 |                          |                     |
| <i>Current assets</i>  |                           |                 |                          |                     |
| Cash   | \$ 28,945                 | \$ 6,748        | 26,325                   | \$ 62,018           |
| Investments  | -                         | -               | 35,807                   | 35,807              |
| Accounts receivable  | 16,821                    | -               | 12,515                   | 29,336              |
| Taxes receivable   | -                         | -               | -                        | -                   |
| Due from other funds   | -                         | -               | -                        | -                   |
| Inventory  | 1,382                     | -               | 6,496                    | 7,878               |
| Prepaid Assets   | -                         | -               | 31                       | 31                  |
| <i>Total current assets</i>  | <u>47,148</u>             | <u>6,748</u>    | <u>81,174</u>            | <u>135,070</u>      |
| <i>Noncurrent Activities</i>   |                           |                 |                          |                     |
| Restricted Cash  | -                         | -               | 18,260                   | 18,260              |
| Capital assets   | 1,738,293                 | -               | 1,022,577                | 2,760,870           |
| Accumulated depreciation   | (774,296)                 | -               | (871,255)                | (1,645,551)         |
| <i>Total noncurrent assets</i>   | <u>963,997</u>            | <u>-</u>        | <u>169,582</u>           | <u>1,133,579</u>    |
| <i>Deferred Outflows of Resources</i>  |                           |                 |                          |                     |
| Deferred outflows of resources related to Net Pension Liability              | -                         | -               | -                        | -                   |
| <i>Total Deferred outflows of resources related to Net Pension Liability</i> | <u>-</u>                  | <u>-</u>        | <u>-</u>                 | <u>-</u>            |
| <i>Total Assets</i>  | <u>\$ 1,011,145</u>       | <u>\$ 6,748</u> | <u>\$ 250,756</u>        | <u>\$ 1,268,649</u> |
| <i>Liabilities and Net Position</i>  |                           |                 |                          |                     |
| <i>Liabilities:</i>  |                           |                 |                          |                     |
| <i>Current liabilities</i>   |                           |                 |                          |                     |
| Accounts payable   | \$ 3,279                  | \$ 151          | \$ 14,478                | \$ 17,908           |
| Accrued liabilities  | 2,265                     | -               | 6,433                    | 8,698               |
| Accrued compensated absences   | -                         | -               | -                        | -                   |
| Due to other funds   | -                         | -               | -                        | -                   |
| Tenant Security Deposits   | 15,223                    | -               | 4,331                    | 19,554              |
| Current maturity of note payable   | -                         | -               | -                        | -                   |
| <i>Total current liabilities</i>   | <u>20,767</u>             | <u>151</u>      | <u>25,242</u>            | <u>46,160</u>       |
| <i>Noncurrent liabilities</i>  |                           |                 |                          |                     |
| Notes payable  | -                         | -               | -                        | -                   |
| Accrued compensated absences payable   | 3,680                     | -               | -                        | 3,680               |
| Net Pension Liability  | -                         | -               | -                        | -                   |
| <i>Total noncurrent liabilities</i>  | <u>3,680</u>              | <u>-</u>        | <u>-</u>                 | <u>3,680</u>        |
| <i>Deferred Inflows of Resources</i>   |                           |                 |                          |                     |
| Deferred inflows of resources related to Net Pension Liability               | -                         | -               | -                        | -                   |
| <i>Total Deferred inflows of resources related to Net Pension Liability</i>  | <u>-</u>                  | <u>-</u>        | <u>-</u>                 | <u>-</u>            |
| <i>Total liabilities</i>   | <u>24,447</u>             | <u>151</u>      | <u>25,242</u>            | <u>49,840</u>       |
| <i>Net Position:</i>   |                           |                 |                          |                     |
| Net investment in capital assets   | 963,997                   | -               | 151,322                  | 1,115,319           |
| Unreserved   |                           |                 |                          |                     |
| Unreserved, undesignated   | 22,701                    | 6,597           | 74,192                   | 103,490             |
| <i>Total net position</i>  | <u>986,698</u>            | <u>6,597</u>    | <u>225,514</u>           | <u>1,218,809</u>    |
| <i>Total Liabilities and Net Position</i>                                    | <u>\$ 1,011,145</u>       | <u>\$ 6,748</u> | <u>\$ 250,756</u>        | <u>\$ 1,268,649</u> |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2017

|  | <u>Joint Utility Fund</u> | <u>Cemetery Fund</u> | <u>Housing Authority<br/>Fund</u> | <u>Total</u>        |
|--|---------------------------|----------------------|-----------------------------------|---------------------|
| <i>Operating revenues:</i>                     |                           |                      |                                   |                     |
| Charges for services                           | 110,109                   | 1,725                | 45,888                            | \$ 157,722          |
| Miscellaneous Revenues                         | 74,256                    | 125                  | 568                               | 74,949              |
| <i>Total operating revenues</i>                | <u>184,365</u>            | <u>1,850</u>         | <u>46,456</u>                     | <u>232,671</u>      |
| <i>Operating expenses:</i>                     |                           |                      |                                   |                     |
| Operating Expenses                             | 34,075                    | 125                  | 25,264                            | 59,464              |
| Travel   | -                         | -                    | -                                 | -                   |
| Gross Receipts Tax                             | 56                        | -                    | -                                 | 56                  |
| Depreciation                                   | 46,788                    | -                    | 26,377                            | 73,165              |
| Purchases for Resale                           | -                         | -                    | -                                 | -                   |
| Contract Services                              | 30,179                    | -                    | 13,488                            | 43,667              |
| Salaries                                       | 61,787                    | -                    | 57,713                            | 119,500             |
| Supplies                                       | 13,434                    | 902                  | 3,315                             | 17,651              |
| <i>Total operating expenses</i>                | <u>186,319</u>            | <u>1,027</u>         | <u>126,157</u>                    | <u>313,503</u>      |
| <i>Operating income (loss)</i>                 | <u>(1,954)</u>            | <u>823</u>           | <u>(79,701)</u>                   | <u>(80,832)</u>     |
| <i>Non-operating revenues (expenses):</i>      |                           |                      |                                   |                     |
| Intergovernmental revenues                     | -                         | -                    | 80,457                            | 80,457              |
| Interest Income                                | 72                        | -                    | 408                               | 480                 |
| Interest expense                               | -                         | -                    | -                                 | -                   |
| Transfers                                      | 8,848                     | -                    | -                                 | 8,848               |
| <i>Total non-operating revenues (expenses)</i> | <u>8,920</u>              | <u>-</u>             | <u>80,865</u>                     | <u>89,785</u>       |
| <i>Change in net position</i>                  | 6,966                     | 823                  | 1,164                             | 8,953               |
| <i>Total net position, beginning of year</i>   | 979,732                   | 5,774                | 190,879                           | 1,176,385           |
| <i>Restatement for Net Pension Liability</i>   | -                         | -                    | 33,471                            | 33,471              |
| <i>Total net position, restated</i>            | <u>979,732</u>            | <u>5,774</u>         | <u>224,350</u>                    | <u>1,209,856</u>    |
| <i>Total net position, end of year</i>         | <u>\$ 986,698</u>         | <u>\$ 6,597</u>      | <u>\$ 225,514</u>                 | <u>\$ 1,218,809</u> |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
For the Year Ended June 30, 2017

|  | Joint Utility<br>Fund | Cemetery<br>Fund | Housing<br>Authority<br>Fund | Total             |
|--|-----------------------|------------------|------------------------------|-------------------|
| <i>Cash flows from operating activities:</i>                                 |                       |                  |                              |                   |
| Cash received from user charges  | \$ 184,365            | \$ 1,850         | \$ 127,321                   | \$ 313,536        |
| Cash payments to employees/suppliers for goods and services                  | (142,614)             | (2,829)          | (111,021)                    | (256,464)         |
| <i>Net cash provided for (used by) operating activities</i>                  | <u>41,751</u>         | <u>(979)</u>     | <u>16,300</u>                | <u>57,072</u>     |
| <i>Cash flows from noncapital financing activities:</i>                      |                       |                  |                              |                   |
| Change in long term accrued compensated absences                             | -                     | -                | -                            | -                 |
| Loans from other funds   | -                     | -                | 7,233                        | 7,233             |
| Transfers  | -                     | -                | -                            | -                 |
| <i>Net cash provided (used) by noncapital financing activities:</i>          | <u>-</u>              | <u>-</u>         | <u>7,233</u>                 | <u>7,233</u>      |
| <i>Cash flows from investing activities:</i>                                 |                       |                  |                              |                   |
| Interest Income  | 72                    | -                | -                            | 72                |
| Purchase of capital assets   | -                     | -                | -                            | -                 |
| <i>Net cash used by investing activities:</i>                                | <u>72</u>             | <u>-</u>         | <u>-</u>                     | <u>72</u>         |
| <i>Net increase (decrease) in cash and cash equivalents</i>                  | 41,823                | (979)            | 23,533                       | 64,377            |
| <i>Cash and cash equivalents - beginning of year</i>                         | <u>(12,878)</u>       | <u>7,727</u>     | <u>56,859</u>                | <u>51,708</u>     |
| <i>Cash and cash equivalents - end of year</i>                               | <u>\$ 28,945</u>      | <u>\$ 6,748</u>  | <u>\$ 80,392</u>             | <u>\$ 116,085</u> |
| <i>Reconciliation of operating income (loss) to net cash provided (used)</i> |                       |                  |                              |                   |
| <i>by operating activities</i>   |                       |                  |                              |                   |
| Operating income (loss)  | \$ 6,894              | \$ 823           | \$ 1,164                     | \$ 8,881          |
| Adjustments to reconcile operating (loss) to net cash (used)                 |                       |                  |                              |                   |
| by operating activities:   |                       |                  |                              |                   |
| Depreciation   | 46,788                | -                | 19,452                       | 66,240            |
| Changes in assets and liabilities  |                       |                  |                              |                   |
| Receivables  | (14,134)              | -                | (12,474)                     | (26,608)          |
| Accrued expenses   | (2,107)               | -                | 2,203                        | 96                |
| Inventory  | -                     | -                | (2,638)                      | (2,638)           |
| Accounts payable   | 905                   | (1,802)          | 12,740                       | 11,843            |
| Due to Others  | (275)                 | -                | -                            | (275)             |
| Accrued compensation absences  | 3,680                 | -                | (4,147)                      | (467)             |
| <i>Net cash (used) by operating activities</i>                               | <u>\$ 41,751</u>      | <u>\$ (979)</u>  | <u>\$ 16,300</u>             | <u>\$ 57,072</u>  |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies**

The Village of Maxwell (the "Village") was incorporated in 1916, under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Village of Maxwell is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Village is presented to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the Village's accounting policies are described below.

**A. Financial Reporting Entity**

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB statements No. 61. Blended component units are in substance, although legally separate entities, are part of the government's operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the Village's application of these criteria, the Village has no component units, and is not a component unit of another governmental agency.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 1.           B.       Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C.       Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 1. C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund and the Fire Discretionary Fund. No other funds were required to be presented as major at the discretion of management.

*General Fund* – the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

*Capital Project Fund*– to account for revenues and expenditures under a pass-through program from the State. Expenditures are restricted to the purposes approved in the CDBG grant application.

The government reports its Garbage Fund and Water & Sewer Fund (Proprietary funds) as major business-type funds. Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village has no fiduciary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1. C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

Program revenues reduce the cost of the function to be financed from the Village's general revenues. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services for the Village's garbage, water & sewer utilities, and cemetery services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Position or Equity**

**Deposits and Investments:** The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables:** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE 1. D. Assets, Liabilities, and Net Position or Equity (continued)**

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Library books are expensed as purchased.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>            | <u>Years</u> |
|--------------------------|--------------|
| Buildings & Improvements | 50           |
| Infrastructure           | 50           |
| Equipment                | 5-10         |

**Unearned Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as Unearned Revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

**Deferred Inflow/Outflows of Resources:** GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period. Property taxes levied but not received are recorded as deferred inflows of resources unless the amount is undetermined.

**Compensated Absences:** Qualified employees are entitled to accumulate compensated absences earned. All full-time employees are entitled to earn five (5) working days for one year of service and ten (10) working days for 2 years or more of service. Employees may accumulate annual leave up to 80 hours per fiscal year. An employee carrying over eighty (80) hours of annual leave or compensatory time may sell leave time back to the Village at two hours for one hour at the current wage (amended July 27, 2010 and rescinded September 14, 2010). There will be no carryover of unused annual leave and must be used by the employee's anniversary date. Upon termination, there will be no payments on accrued annual leave not yet taken. Qualified full time employees are entitled to accumulate sick leave on a basis of one half (1/2) working day each month of employment. Sick leave can be accrued up to thirty (30) days. Upon termination employees receive no pay for sick time accumulated.

All vacation pay and applicable accumulated sick leave is accrued when incurred in the governmental-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of services by employees.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**D. Assets, Liabilities, and Net Position or Equity (continued)**

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**Net Position or Fund Equity:**

Committed fund balance represents amounts that are useable only for specified purposes by formal action of the governments' highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high level body or official whom the governing body has delegated

Restricted fund balance represents amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the general fund and represents the amount that have not been assigned to other funds, and that have not been restricted, committed or assigned to specific purposes.

Net investment in capital assets, net of related debt consists of net position including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from a fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Tax Revenues:** The Village receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1<sup>st</sup> of each year and are payable in two equal installments, on November 10<sup>th</sup> of the year in which the tax bill is prepared and April 10<sup>th</sup> of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Village recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Village records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. Descriptions of the individual general, debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.



**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**D. Assets, Liabilities, and Net Position or Equity (continued)**

**Pensions.** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2. Stewardship, Compliance, and Accountability**

*Budgetary Information*

Annual budgets of the Village are prepared prior to June 1 and must be approved by Village Council resolution, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The Village is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Village Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented as part of the budgetary statements.

**NOTE 3. Deposits and Investments**

State statutes authorize the investment of the Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
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**Note 3. Deposits and Investments (continued)**

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The Village of Maxwell has an interest bearing account.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Village's deposits.

|  | International<br>Bank Checking | Washington<br>Federal<br>Checking |
|--|--------------------------------|-----------------------------------|
| Deposits   | \$ 523,664                     | \$ 234,963                        |
| Total Deposits   | 523,664                        | 234,963                           |
| Less: FDIC Coverage  | (250,000)                      | (234,963)                         |
| Total uninsured public funds                                       | 273,664                        | -                                 |
| 50% Collateral requirement   | 136,832                        | -                                 |
| Pledged Securities   | 172,732                        | -                                 |
| (Over)Under collateralized   | \$ (35,900)                    | \$ -                              |
| <br><b>Custodial Credit Risk-Deposits</b>                          |                                |                                   |
| Account Balance  | \$ 758,627                     |                                   |
| FDIC Insured   | 484,963                        |                                   |
| Collateral:  |                                |                                   |
| Collateral held by the pledging<br>bank, not in the Village's name | 273,664                        |                                   |
| Uninsured and uncollateralized                                     | -                              |                                   |
| Total Deposits   | \$ 758,627                     |                                   |

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$273,664 of the Village's bank balance is exposed to custodial credit risk.

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
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June 30, 2017

**Note 3. Deposits and Investments (continued)**

**Reconciliation of Cash and Temporary Investments**

Carrying amounts by fund per financial statement at June 30, 2017 is:

|   |                   |
|---|-------------------|
| Governmental Funds- Balance Sheet         |                   |
| Cash and cash equivalents per Exhibit B-1 | \$ 537,358        |
| Cash and cash equivalents per Exhibit D-1 | 65,611            |
| Add outstanding deposits and checks       | 103,795           |
|   | <u>\$ 758,627</u> |

**NOTE 4. Receivables**

Receivables as of June 30, 2017, are as follows:

|  | General<br>Fund | Fire<br>Discretionary<br>Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total          |
|--|-----------------|-------------------------------|-----------------------------|--------------------------------|----------------|
| Property Taxes Receivables                               | \$ -            | \$ -                          | \$ -                        | \$ -                           | \$ -           |
| Due from other governments:<br>Other accounts receivable | 5,390           | -                             | -                           | -                              | 5,390          |
|  | <u>\$ 5,390</u> | <u>\$ -</u>                   | <u>\$ -</u>                 | <u>\$ -</u>                    | <u>\$5,390</u> |

|   | Water & Sewer Fund | Housing<br>Authority Fund |
|---|--------------------|---------------------------|
| Accounts receivable,<br>net of allowance of \$0 | \$ 16,821          | \$ 12,515                 |
| Total   | <u>\$ 16,821</u>   | <u>\$ 12,515</u>          |

The above receivables are deemed 100% collectible. In accordance with GASB No.33, property tax receivables are presented net of unearned revenue in the governmental balance sheet. In accordance with GASB No.65, Deferred inflows of resources accounts for delinquent property taxes that are due to the Village but that have not been remitted to the Village. The Village does not have any deferred inflows of resources.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The Village Council authorizes transfers between funds to cover the expenditures in the receiving funds. Interfund balances are due within one year. There were no transfers during the year.

| <b>Due from/to other funds</b> | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|--------------------------------|---------------------------------|------------------------------|
| General Fund                   | \$ 1,389                        | \$ -                         |
| Fire Discretionary Fund        | -                               | 1,389                        |
| <b>Total</b>                   | <u>\$ 1,389</u>                 | <u>\$ 1,389</u>              |

  

| <b>Transfers</b>   | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------|---------------------|----------------------|
| General Fund       | \$ (8,848)          | \$ -                 |
| Joint Utility Fund | -                   | 8,848                |
| <b>Total</b>       | <u>\$ (8,848)</u>   | <u>\$ 8,848</u>      |

**NOTE 6. Accounts Payables**

Accounts payable, for governmental funds, as of June 30, 2017, are as follows:

|  |                 |
|--|-----------------|
| Payable to suppliers                               | \$ 2,592        |
| Accrued salaries and benefits                      | <u>1,870</u>    |
| <b>Total accounts payable and accrued expenses</b> | <u>\$ 4,462</u> |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 7. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows.

| <b>Governmental Activities</b>                       | <u>June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2017</u> |
|--|----------------------|------------------|------------------|----------------------|
| Land   | \$ 47,931            | \$ -             | \$ -             | \$ 47,931            |
| Buildings & Improvements                             | 904,218              | -                | -                | 904,218              |
| Equipment  | 821,256              | 15,964           | -                | 837,220              |
| Construction in progress                             | <u>-</u>             | <u>85,830</u>    | <u>-</u>         | <u>85,830</u>        |
| <b>Total Capital Assets</b>                          | <u>1,773,405</u>     | <u>101,794</u>   | <u>-</u>         | <u>1,875,199</u>     |
| Less accumulated depreciation:                       |                      |                  |                  |                      |
| Land   | -                    | -                | -                | -                    |
| Buildings & Improvements                             | 639,794              | 4,858            | -                | 644,652              |
| Equipment  | <u>706,477</u>       | <u>11,030</u>    | <u>-</u>         | <u>717,507</u>       |
| <b>Total Accumulated Depreciation</b>                | <u>1,346,271</u>     | <u>15,888</u>    | <u>-</u>         | <u>1,362,159</u>     |
| <b>Total Capital Assets,<br/>net of depreciation</b> | <u>\$ 427,134</u>    | <u>\$ 85,906</u> | <u>\$ -</u>      | <u>\$ 513,040</u>    |

Capital assets, net of accumulated depreciation, at June 30, 2017 appear in the Statement of Net position as follows:

|                         |            |
|-------------------------|------------|
| Governmental activities | \$ 513,040 |
|-------------------------|------------|

Depreciation expense for the year ended June 30, 2017 was charged to the following functions and funds:

|   |                  |
|---|------------------|
| General Government                                    | \$ 11,030        |
| Public Safety   | 4,858            |
| Public Works  | -                |
| Culture and Recreation                                | -                |
| Health and Welfare                                    | -                |
| <b>Total depreciation expense, governmental funds</b> | <u>\$ 15,888</u> |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 7. Capital Assets (continued)**

| <b>Business-Like Activities</b>              | <u>June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2017</u> |
|--|----------------------|------------------|------------------|----------------------|
| Water & Sanitation Plant                     | \$ 1,694,131         | \$ -             | \$ -             | \$ 1,694,131         |
| Equipment                                    | 44,162               | -                | -                | 44,162               |
| Construction in Progress                     | -                    | -                | -                | -                    |
| Total Capital Assets                         | <u>1,738,293</u>     | <u>-</u>         | <u>-</u>         | <u>1,738,293</u>     |
| Less accumulated depreciation:               |                      |                  |                  |                      |
| Water & Sanitation Plant                     | 677,594              | 33,061           | -                | 710,655              |
| Equipment                                    | 49,914               | 13,727           | -                | 63,641               |
| Construction in Progress                     | -                    | -                | -                | -                    |
| Total Accumulated Depreciation               | <u>727,508</u>       | <u>46,788</u>    | <u>-</u>         | <u>774,296</u>       |
| Total Capital Assets,<br>net of depreciation | <u>\$ 1,010,785</u>  | <u>\$ 46,788</u> | <u>\$ -</u>      | <u>\$ 963,997</u>    |

Depreciation expense relating to business-like activities for the year ended June 30, 2017 totaled \$46,788.

| <b>Housing Authority</b>                     | <u>June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2017</u> |
|--|----------------------|------------------|------------------|----------------------|
| Land   | \$ 5,000             | \$ -             | \$ -             | \$ 5,000             |
| Construction in Progress                     | -                    | -                | -                | -                    |
| Buildings                                    | 924,589              | -                | -                | 924,589              |
| Non-Dwelling Structures                      | 66,936               | -                | -                | 66,936               |
| Machinery and Equipment                      | 32,977               | -                | -                | 32,977               |
| Total Capital Assets                         | <u>1,029,502</u>     | <u>-</u>         | <u>-</u>         | <u>1,029,502</u>     |
| Less accumulated depreciation:               |                      |                  |                  |                      |
| Buildings                                    | 783,647              | 21,555           | -                | 805,202              |
| Non-Dwelling Structures                      | 35,540               | 4,462            | -                | 40,002               |
| Machinery and Equipment                      | 32,616               | 360              | -                | 32,976               |
| Total Accumulated Depreciation               | <u>851,803</u>       | <u>26,377</u>    | <u>-</u>         | <u>878,180</u>       |
| Total Capital Assets,<br>net of depreciation | <u>\$ 177,699</u>    | <u>\$ 26,377</u> | <u>\$ -</u>      | <u>\$ 151,322</u>    |

Depreciation expense relating to business-like activities for the year ended June 30, 2017 totaled \$26,377.

**NOTE 8. Long-term Debt**

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

|  | Balance<br>June 30, 2016 | Additions   | Retirements   | Balance<br>June 30, 2017 | Due Within<br>One Year |
|--|--------------------------|-------------|---------------|--------------------------|------------------------|
| Accrued Compensated Absences- <b>Governmental</b>  | \$ -                     | \$ -        | \$ -          | \$ -                     | \$ -                   |
| Accrued Compensated Absences- <b>Business Type</b> | \$ 2,374                 | \$ -        | \$ 649        | \$ 1,725                 | \$ -                   |
| Total Long-Term Debt                               | <u>\$ 2,374</u>          | <u>\$ -</u> | <u>\$ 649</u> | <u>\$ 1,725</u>          | <u>\$ -</u>            |

In prior years, the General Fund has typically liquidated the compensated absences.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9. Operating Leases**

The Village had a short term copier lease for the Housing Authority with payments of \$218 per month and the Village has a lease for an easement with BNSF, with annual payments of \$119 at June 30, 2017.

**NOTE 10. Risk Management**

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Village of Maxwell participates in the New Mexico Self-Insurer's Fund risk pool. The Village pays an annual premium to the pool based on claim experience and the status of the pool. The Village is not liable for more than the premium paid.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2017, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

**NOTE 11. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

A. Deficit fund balance of individual funds.

None

Fund deficits will be funded by general fund transfers or by grant revenues.

B. There were no expenditures that exceeded appropriations by fund.

**NOTE 12. PERA Pension Plans**

**Plan description.** Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 12. PERA Pension Plans (continued)**

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA's compressive annual financial report for Contribution provided description

| <b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b> |                                  |                                     |                                  |                                    |        |   |
|---|----------------------------------|-------------------------------------|----------------------------------|------------------------------------|--------|---|
| Coverage Plan   | Employee Contribution Percentage |                                     | Employer Contribution Percentage | Pension Factor per Year of Service |        | Pension Maximum as a Percentage of the Final Average Salary |
|   | Annual Salary less than \$20,000 | Annual Salary greater than \$20,000 |                                  | TIER 1                             | TIER 2 |   |
| State Plan 3  | 7.42 %                           | 8.92 %                              | 16.99 %                          | 3.0 %                              | 2.5 %  | 90 %  |
| Municipal Plan 1 (plan open to new employers)                         | 7.0 %                            | 8.5 %                               | 7.4 %                            | 2.0 %                              | 2.0 %  | 90 %  |
| Municipal Plan 2 (plan open to new employers)                         | 9.15 %                           | 10.65 %                             | 9.55 %                           | 2.5 %                              | 2.0 %  | 90 %  |
| Municipal Plan 3 (plan closed to new employers 6/95)                  | 13.15 %                          | 14.65 %                             | 9.55 %                           | 3.0 %                              | 2.5 %  | 90 %  |
| Municipal Plan 4 (plan closed to new employers 6/00)                  | 15.65 %                          | 17.15 %                             | 12.05 %                          | 3.0 %                              | 2.5 %  | 90 %  |
| Municipal Police Plan 1   | 7.0%                             | 8.5%                                | 10.40%                           | 2.0%                               | 2.0%   | 90%   |
| Municipal Police Plan 2   | 7.0%                             | 8.5%                                | 15.40%                           | 2.5%                               | 2.0%   | 90%   |
| Municipal Police Plan 3   | 7.0%                             | 8.5%                                | 18.90%                           | 2.5%                               | 2.0%   | 90%   |
| Municipal Police Plan 4   | 12.35%                           | 13.85%                              | 18.90%                           | 3.0%                               | 2.5%   | 90%   |
| Municipal Police Plan 5   | 16.3%                            | 17.8%                               | 18.90%                           | 3.5%                               | 3.0%   | 90%   |
| Municipal Fire Plan 1   | 8.0%                             | 9.5%                                | 11.40%                           | 2.0%                               | 2.0%   | 90%   |
| Municipal Fire Plan 2   | 8.0%                             | 9.5%                                | 17.90%                           | 2.5%                               | 2.0%   | 90%   |
| Municipal Fire Plan 3   | 8.0%                             | 9.5%                                | 21.65%                           | 2.5%                               | 2.0%   | 90%   |
| Municipal Fire Plan 4   | 12.8%                            | 14.3%                               | 21.65%                           | 3.0%                               | 2.5%   | 90%   |
| Municipal Fire Plan 5   | 16.2%                            | 17.7%                               | 21.65%                           | 3.5%                               | 3.0%   | 90%   |
| Municipal Detention Officer Plan 1                                    | 16.65%                           | 18.15%                              | 17.05%                           | 3.0%                               | 3.0%   | 90%   |
| State Police and Adult Correctional Officer Plan 1                    | 7.60%                            | 9.10%                               | 25.50%                           | 3.0%                               | 3.0%   | 90%   |
| State Plan 3 - Peace Officer  | 7.42%                            | 8.92%                               | 16.99%                           | 3.0%                               | 3.0%   | 90%   |
| Juvenile Correctional Officer Plan 2                                  | 4.78%                            | 6.28%                               | 26.12%                           | 3.0%                               | 3.0%   | 90%   |



**STATE OF NEW MEXICO**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12. PERA Pension Plans (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2017, the Village of Maxwell reported a liability of \$164,560 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Village of Maxwell’s proportion of the net pension liability was based on a projection of the Village of Maxwell’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Village of Maxwell’s proportion was 0.0103%, which was a decrease of 0.0015% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village of Maxwell recognized pension expense of \$14,969. At June 30, 2017, Village of Maxwell reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 8,222                          | \$ 1,606                         |
| Changes of assumptions   | 9,649                             | 27                               |
| Net difference between projected and actual earnings on pension plan investments                                 | 30,279                            | -                                |
| Changes in proportion and differences between the Village contributions and proportionate share of contributions | 2,289                             | 11,852                           |
| Village contributions subsequent to the measurement date   | 8,385                             | -                                |
| Total  | \$ 58,824                         | \$ 13,485                        |

\$8,385 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |          |
|---------------------|----------|
| Year ended June 30: |          |
| 2017                | \$ 7,335 |
| 2018                | 7,335    |
| 2019                | 14,970   |
| 2020                | 7,314    |
| Thereafter          | \$ -     |

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12. PERA Pension Plans (continued)**

**Actuarial assumptions.** The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

| <b>PERA</b>                     |  |
|---------------------------------|--|
| <b>Actuarial valuation date</b> | June 30, 2015  |
| <b>Actuarial cost method</b>    | Entry Age Normal   |
| <b>Amortization method</b>      | Level Percentage of Pay, Open  |
| <b>Amortization period</b>      | Solved for based on statutory rates  |
| <b>Asset valuation method</b>   | Fair Value   |
| <b>Actuarial Assumptions:</b>   |  |
| Investment rate of return       | 7.48% annual rate, net of investment expense   |
| Projected benefit payment       | 100 years  |
| Payroll Growth                  | 2.75% for first 10 years, then 3.25% annual rate   |
| Projected salary increases      | 2.75% to 14.00% annual rate  |
| Includes inflation at           | 2.25% annual rate first 10 years   |
|                                 | 2.75% all other years  |
| Mortality Assumption            | RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. |
| Experience Study Dates          | July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)  |

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <b>ALL FUNDS - Asset Class</b> | <b>Target Allocation</b> | <b>Long-Term Expected<br/>Real Rate of Return</b> |
|--------------------------------|--------------------------|---|
| Global Equity                  | 43.50%                   | 7.39%   |
| Risk Reduction & Mitigation    | 21.5                     | 1.79  |
| Credit Oriented Fixed Income   | 15.0                     | 5.77  |
| Real Assets                    | <u>20.00</u>             | 7.35  |
| <b>Total</b>                   | <b>100.00%</b>           |   |

Discount rate: A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE 12. PERA Pension Plans (continued)**

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate. The following presents the Village of Maxwell's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the Village of Maxwell's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

| <b>PERA Fund Division –<br/>General Division</b>           | <b>1% Decrease<br/>(6.75%)</b> | <b>Current<br/>Discount Rate<br/>(7.75%)</b> | <b>1% Increase<br/>(8.75%)</b> |
|--|--------------------------------|--|--------------------------------|
| Village's proportionate share of the net pension liability | \$ 245,344                     | \$ 164,560                                   | \$ 97,553                      |

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

Payables to the pension plan. At June 30, 2017, the Village had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

**NOTE 13. Post-Employment Benefits**

The Retiree Health Care Act 10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the Village has elected not to participate in the program for the current year.

**NOTE 14. Contingent Liabilities**

There are no known contingent liabilities as of June 30, 2017.

**NOTE 15. Federal and State Grants**

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 16. Joint Powers Agreements**

NM Department of Public Safety

*Purpose:* The agreement is to provide police protection and law enforcement services for the Village, including the enforcement of all state laws.

*Participants:* Village of Maxwell, NM and NM Department of Public Safety (NMDPS, SPD)

*Responsible Party for Operation and Audit:* Village of Maxwell and NMDPS, SPD

*Beginning and Ending Date of Agreement:* Agreed May 19, 2015 and expires on June 30, 2020

*Total Estimated Amount of Project and Actual Amount Contributed:* Covered by Law Enforcement Protection fund grants received on an annual basis

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 17. Related Party Transactions**

The Village entered into a verbal arrangement with the Mayor for sewer line reconstruction on personal property. As of June 30, 2017, the Mayor had made a payment of \$500 for the services performed in March and April 2017. In June 2017, the Village Deputy Clerk processed a bill for two invoices of materials and labor totaling \$500.00. The total cost of the project was \$884.11 resulting in an accounts receivable of \$384.11 at June 30, 2017. Subsequent to year end, the Mayor made another \$500 payment which resulted in an overpayment of \$115.89.

**NOTE 18. Commitments**

The Village entered into a contract for a Firetruck for \$397,000 and a Brush Truck \$282,116. Neither piece of equipment was received until fall 2017.

**NOTE 19. Subsequent Review**

The Village's commitment for the Brush Truck was accompanied by a Note from NMFA that will be executed upon delivery of the Brush Truck. The Village of Maxwell has evaluated subsequent events through October 13, 2017, which is the date the financial statements were available for issuance.

**SUPPLEMENTARY INFORMATION**

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**NON-MAJOR GOVERNMENTAL FUNDS**

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STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
June 30, 2017

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the Village with the purpose of accomplishing specific tasks. Grants accounted for in the Special Revenue Funds include:

**Fire Protection Fund**

To account for the revenues for the state fire allotment and public safety related expenditures. Authority NMSA 1978 59A-53-2.

**Law Enforcement Fund**

To account for monies received under a Joint Powers Agreement entered into by the NM Department of Public Safety, State Police Division (NMDPS SPD) and the Village of Maxwell pursuant to the Joint Powers Act, Sections 11-1-1 through 11-1-7 NMSA 1978. The Village receives a Law Enforcement Protection Funds grant on an annual basis to be made available to NMDPS, NMSP for purchase and repair of equipment and office training for providing police protection and law enforcement as required within its municipality limits. The Village is responsible for administration of this agreement and NMDPS, SPD agrees to provide protection and law enforcement within the municipality limits of the Village.

**Fire Discretionary Fund**

To account for discretionary funds donated to be used for the fire department. Authority set by the Village and the Village's Fire Department through board approval.

**These funds are on an allotment basis and therefore there are no reverting funds.**

**CAPITAL PROJECT FUNDS**

The Capital Project Funds are used to account for State legislative appropriations. These grants are awarded to the Village with the purpose of accomplishing specific capital improvement tasks. Grants/Appropriations accounted for in the Capital Project Funds include:

**Waste Water Capital Project Fund**

To account for the revenues and expenditures passed through Colfax County, fiscal agent, for the Waste Water (Lagoons) Capital Project funded by legislative appropriations. Authority is NM Legislative Appropriation SAP-15-0497.

**Water Well Capital Project Fund**

To account for the revenues and expenditures passed through Colfax County, fiscal agent, for the Water Well Capital Project funded by legislative appropriations. Authority is NM Legislative Appropriation SAP-14-1610.

**These funds are on a reimbursement basis therefore there are no reverting funds.**

**PROPRIETARY MAJOR FUNDS**

**Joint Utility Fund**

To account for the activities of the Village's water and sewer operations.

**Cemetery Fund**

To account for the activities of the Village's garbage cemetery operations.

**Housing Authority Fund**

To account for the activities of the Village's Housing Authority operations.

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STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2017

Schedule A-1

|  | Fire Protection<br>Fund | Law Enforcement<br>Protection Fund | Fire Discretionary<br>Fund | Lagoons Capital<br>Projects Fund | Waste Water<br>Capital Projects<br>Fund | CDBG Capital<br>Projects Fund | Total Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|------------------------------------|----------------------------|----------------------------------|---|-------------------------------|---|
| <i>Assets</i>  |                         |                                    |                            |                                  |   |                               |   |
| Cash and cash equivalents  | \$ 212,571              | \$ 6,955                           | \$ 22,392                  | \$ -                             | \$ -                                    | \$ 115                        | \$ 242,033                              |
| Other receivables  | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| <i>Total assets</i>  | <u>\$ 212,571</u>       | <u>\$ 6,955</u>                    | <u>\$ 22,392</u>           | <u>\$ -</u>                      | <u>\$ -</u>                             | <u>\$ 115</u>                 | <u>\$ 242,033</u>                       |
| <i>Liabilities</i>   |                         |                                    |                            |                                  |   |                               |   |
| Accounts payable   | \$ 1,329                | \$ -                               | \$ -                       | \$ -                             | \$ -                                    | \$ -                          | \$ 1,329                                |
| Accrued salaries and benefits  | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Accrued compensated absences   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Due to other funds   | -                       | -                                  | 1,389                      | -                                | -                                       | -                             | 1,389                                   |
| <i>Total liabilities</i>   | <u>1,329</u>            | <u>-</u>                           | <u>1,389</u>               | <u>-</u>                         | <u>-</u>                                | <u>-</u>                      | <u>2,718</u>                            |
| <i>Deferred inflows of resources</i>                                       |                         |                                    |                            |                                  |   |                               |   |
| Unavailable revenue-property taxes   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| <i>Total deferred inflows of resources</i>                                 | <u>-</u>                | <u>-</u>                           | <u>-</u>                   | <u>-</u>                         | <u>-</u>                                | <u>-</u>                      | <u>-</u>                                |
| <i>Fund Balances</i>   |                         |                                    |                            |                                  |   |                               |   |
| Fund Balance   |                         |                                    |                            |                                  |   |                               |   |
| Restricted for:  |                         |                                    |                            |                                  |   |                               |   |
| General Fund   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Special Revenue Funds  | 211,242                 | 6,955                              | 21,003                     | -                                | -                                       | -                             | 239,200                                 |
| Capital Projects Funds   | -                       | -                                  | -                          | -                                | -                                       | 115                           | 115                                     |
| Debt Service Funds   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Committed for:   |                         |                                    |                            |                                  |   |                               |   |
| General Fund   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Special Revenue Funds  | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Capital Projects Funds   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Assigned for:  |                         |                                    |                            |                                  |   |                               |   |
| General Fund   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Special Revenue Funds  | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Capital Projects Funds   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| Unassigned for:  |                         |                                    |                            |                                  |   |                               |   |
| General Fund   | -                       | -                                  | -                          | -                                | -                                       | -                             | -                                       |
| <i>Total fund balances</i>   | <u>211,242</u>          | <u>6,955</u>                       | <u>21,003</u>              | <u>-</u>                         | <u>-</u>                                | <u>115</u>                    | <u>239,315</u>                          |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 212,571</u>       | <u>\$ 6,955</u>                    | <u>\$ 22,392</u>           | <u>\$ -</u>                      | <u>\$ -</u>                             | <u>\$ 115</u>                 | <u>\$ 242,033</u>                       |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**For the Year Ended June 30, 2017**

Schedule A-2

|  | Fire Protection<br>Fund | Law Enforcement<br>Protection Fund | Fire Discretionary<br>Fund | CDBG Capital<br>Projects Fund | CDBG Capital<br>Projects Fund | CDBG Capital<br>Projects Fund | Total Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|------------------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|---|
| <i>Revenues:</i>   |                         |                                    |                            |                               |                               |                               |   |
| Taxes  |                         |                                    |                            |                               |                               |                               |   |
| Gross receipts taxes                                     | \$ -                    | \$ -                               | \$ -                       | \$ -                          | \$ -                          | \$ -                          | \$ -                                    |
| State Grant Income                                       | 75,667                  | 20,000                             | -                          | 64,844                        | 17,986                        | -                             | 178,497                                 |
| Charges for Services                                     | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Licenses and Fees  | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Investment Income (Loss)                                 | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Miscellaneous  | 11,691                  | -                                  | 21,000                     | -                             | -                             | -                             | 32,691                                  |
| <i>Total revenues</i>                                    | <u>87,358</u>           | <u>20,000</u>                      | <u>21,000</u>              | <u>64,844</u>                 | <u>17,986</u>                 | <u>-</u>                      | <u>211,188</u>                          |
| <i>Expenditures:</i>                                     |                         |                                    |                            |                               |                               |                               |   |
| Current:   |                         |                                    |                            |                               |                               |                               |   |
| General Government                                       | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Public Safety  | 20,755                  | 16,639                             | 17,546                     | -                             | -                             | -                             | 54,940                                  |
| Public Works   | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Culture and Recreation                                   | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Health and Welfare                                       | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Capital Outlay   | -                       | -                                  | -                          | 51,929                        | 33,951                        | -                             | 85,880                                  |
| Debt Service:  |                         |                                    |                            |                               |                               |                               |   |
| Principal  | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Interest   | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| <i>Total expenditures</i>                                | <u>20,755</u>           | <u>16,639</u>                      | <u>17,546</u>              | <u>51,929</u>                 | <u>33,951</u>                 | <u>-</u>                      | <u>140,820</u>                          |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>66,603</u>           | <u>3,361</u>                       | <u>3,454</u>               | <u>12,915</u>                 | <u>(15,965)</u>               | <u>-</u>                      | <u>70,368</u>                           |
| <i>Other financing sources (uses)</i>                    |                         |                                    |                            |                               |                               |                               |   |
| Transfers In   | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| Transfers Out  | -                       | -                                  | -                          | -                             | -                             | -                             | -                                       |
| <i>Total other financing sources (uses)</i>              | <u>-</u>                | <u>-</u>                           | <u>-</u>                   | <u>-</u>                      | <u>-</u>                      | <u>-</u>                      | <u>-</u>                                |
| <i>Net change in fund balances</i>                       | <u>66,603</u>           | <u>3,361</u>                       | <u>3,454</u>               | <u>12,915</u>                 | <u>(15,965)</u>               | <u>-</u>                      | <u>70,368</u>                           |
| <i>Fund balances - beginning of year</i>                 | <u>144,639</u>          | <u>3,594</u>                       | <u>17,549</u>              | <u>(12,915)</u>               | <u>15,965</u>                 | <u>115</u>                    | <u>168,947</u>                          |
| <i>Fund balances - end of year</i>                       | <u>\$ 211,242</u>       | <u>\$ 6,955</u>                    | <u>\$ 21,003</u>           | <u>\$ -</u>                   | <u>\$ -</u>                   | <u>\$ 115</u>                 | <u>\$ 239,315</u>                       |

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**PENSION LIABILITY**

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STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
Required Supplementary Information  
June 30, 2017

**SCHEDULE OF THE VILLAGE’S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION – GENERAL**

**Public Employees Retirement Association (PERA) Plan**

**Last 10 Fiscal Years\***

|  | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Village’s proportion of the net pension liability (asset)  | 0.0103%     | 0.0118%     | 0.0114%     |
| Village’s proportionate share of the net pension liability (asset)   | \$164,540   | \$ 120,311  | \$ 88,932   |
| Village’s covered-employee payroll   | \$ 77,718   | \$ 111,546  | \$ 124,192  |
| Village’s proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 211.71%     | 107.85%     | 71.61%      |
| Plan fiduciary net position as a percentage of the total pension liability   | 69.18%      | 76.99%      | 81.29%      |

*\*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Village is not available prior to fiscal year 2015, the year the statement’s requirements became effective.*

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STATE OF NEW MEXICO  
VILLAGE OF MAXWELL  
Required Supplementary Information  
June 30, 2017

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2017**

**Changes of benefit terms.** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>.

**Assumptions.** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>.

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## **SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF CASH AND INVESTMENT ACCOUNTS**  
**JUNE 30, 2017**

Schedule I

| Bank Account Type/Name   | International Bank | Washington Federal | Total             |
|--|--------------------|--------------------|-------------------|
| Checking - General Fund, Interest Bearing                        | \$ 157,253         | \$ -               | \$ 157,253        |
| Checking - Law Enforcement Protection Fund, Interest Bearing     | 6,955              | -                  | 6,955             |
| Checking - Water & Sewer Fund, Interest Bearing                  | 14,331             | -                  | 14,331            |
| Checking - Cemetery Fund, Interest Bearing                       | 7,163              | -                  | 7,163             |
| Checking - CDBG, Interest Bearing                                | 115                | -                  | 115               |
| Checking - Water Deposit Fund, Interest Bearing                  | 16,117             | -                  | 16,117            |
| Checking - Fire Protection Fund, Interest Bearing                | -                  | 212,571            | 212,571           |
| Checking - Fire Discretionary Fund, Interest Bearing             | -                  | 22,392             | 22,392            |
| Certificates of Deposit- General Fund, Interest Bearing          | 142,063            | -                  | 142,063           |
| Checking - Housing Authority, Interest Bearing                   | 32,700             | -                  | 32,700            |
| Checking - Housing Authority Security Deposits, Interest Bearing | 3,479              | -                  | 3,479             |
| Checking - Housing Authority 2013 Capital Fund, Interest Bearing | 14,781             | -                  | 14,781            |
| Certificates of Deposit- Housing Authority, Interest Bearing     | 35,807             | -                  | 35,807            |
| Total On Deposit   | 430,764            | 234,963            | 665,727           |
| Petty Cash Housing   | 25                 | -                  | 25                |
| Reconciling Items  | (12,309)           | -                  | (12,309)          |
| Reconciled Balance, June 30, 2017                                | <u>\$ 418,480</u>  | <u>\$ 234,963</u>  | <u>\$ 653,443</u> |

This amount is reflected in the financial statements as follows:

|   |                   |
|---|-------------------|
| Cash and cash equivalents-Governmental activities Ex-B-1  | 537,358           |
| Cash and cash equivalents-Business type activities Ex-D-1 | 116,085           |
|   | <u>\$ 653,443</u> |

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
**FOR PUBLIC FUNDS**  
**JUNE 30, 2017**

Schedule II

| Name of<br>Depository | Description<br>of Pledged<br>Collateral    | Market<br>Value<br>June 30, 2017 | Name and<br>Location of<br>Safekeeper   |
|-----------------------|--|----------------------------------|---|
| International Bank    | FFCB<br>Cusip 3133EDKA2, 1.50%<br>7/6/2021 | \$ 172,732                       | Federal Reserve Bank<br>Kansas City, MO |
|                       |  | <u>\$ 172,732</u>                |   |

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STATE OF NEW MEXICO  
VILLAGE OF MAXWELL HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule III

|  | Low Rent<br>Public Housing | Public Housing<br>Capital Fund | Total                 |
|--|----------------------------|--------------------------------|-----------------------|
| <b>Assets</b>  |                            |                                |                       |
| 111 Cash-Unrestricted  | 41,106                     | -                              | 41,106                |
| 114 Cash-Tenant Security Deposits                                    | 3,479                      | -                              | 3,479                 |
| 100 Total Cash   | <u>44,585</u>              | <u>-</u>                       | <u>44,585</u>         |
| 121 Accounts Receivable-PHA projects                                 | 11,128                     | -                              | 11,128                |
| 126 <i>Accounts Receivable- Tenants Dwelling Rents</i>               | 1,349                      | -                              | 1,349                 |
| 129 <i>Accrued Interest Receivable</i>                               | 38                         | -                              | 38                    |
| 120 <i>Total Receivables, Net of Allowance for Doubtful Accounts</i> | <u>12,516</u>              | <u>-</u>                       | <u>12,516</u>         |
| 131 Investments-Unrestricted   | 35,807                     | -                              | 35,807                |
| 142 <i>Prepaid Expense and Other Assets</i>                          | 94                         | -                              | 94                    |
| 143 <i>Inventories</i>   | 6,496                      | -                              | 6,496                 |
| 150 <i>Total Current Assets</i>                                      | <u>99,498</u>              | <u>-</u>                       | <u>99,498</u>         |
| 161 <i>Land</i>  | 5,000                      | -                              | 5,000                 |
| 162 Buildings  | 991,526                    | -                              | 991,526               |
| 163 <i>Furniture, Equipment &amp; Machinery-Dwelling</i>             | 26,051                     | -                              | 26,051                |
| 166 Accumulated Depreciation   | (871,255)                  | -                              | (871,255)             |
| 160 <i>Total Capital Assets, Net of Accumulated Depreciation</i>     | <u>151,322</u>             | <u>-</u>                       | <u>151,322</u>        |
| 174 Other Assets   | 3,540                      | -                              | 3,540                 |
| 180 Total Noncurrent Assets  | <u>3,540</u>               | <u>-</u>                       | <u>3,540</u>          |
| 190 Total Assets   | <u><u>254,360</u></u>      | <u><u>-</u></u>                | <u><u>254,360</u></u> |
| <b>Liabilities</b>   |                            |                                |                       |
| 321 Accrued Wage/Payroll Taxes Payable                               | 3,022                      | -                              | 3,022                 |
| 331 Accounts Payable-HUD PHA programs                                | 937                        | -                              | 937                   |
| 341 Tenant Security Deposits   | 4,331                      | -                              | 4,331                 |
| 342 Deferred Revenue   | 63                         | -                              | 63                    |
| 346 Accrued Liabilities-Other  | 389                        | -                              | 389                   |
| 310 Total Current Liabilities  | <u>8,742</u>               | <u>-</u>                       | <u>8,742</u>          |
| 352 Long-term Debt, net of current-operating borrowings              | -                          | -                              | -                     |
| 353 Noncurrent liabilities-Other                                     | 36,083                     | -                              | 36,083                |
| 354 Accrued Compensated Absences-Noncurrent                          | -                          | -                              | -                     |
| 355 Loan liability-noncurrent  | 928                        | -                              | 928                   |
| 350 Total Noncurrent Liabilities                                     | <u>37,011</u>              | <u>-</u>                       | <u>37,011</u>         |
| 300 Total Liabilities  | <u>45,753</u>              | <u>-</u>                       | <u>45,753</u>         |
| <b>Equity</b>  |                            |                                |                       |
| 508.1 Invested in capital assests, net of related debt               | 151,322                    | -                              | 151,322               |
| 512.4 Unrestricted Net Position                                      | 57,286                     | -                              | 57,286                |
| 513 Total Equity/Net Position  | <u>208,607</u>             | <u>-</u>                       | <u>208,607</u>        |
| 600 Total Liabilities and Equity/Net Position                        | <u>254,360</u>             | <u>-</u>                       | <u>254,360</u>        |

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STATE OF NEW MEXICO  
VILLAGE OF MAXWELL HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017

|   | Low Rent<br>Public Housing | Public Housing<br>Capital Fund | Total          |
|---|----------------------------|--------------------------------|----------------|
| <b>Revenues</b>   |                            |                                |                |
| 70300 Net Tenant Rental Revenue                               | 45,887                     | -                              | 45,887         |
| 70400 Tenant Revenue-Other                                    | 365                        | -                              | 365            |
| 70500 Total Tennant Revenue                                   | <u>46,252</u>              | -                              | <u>46,252</u>  |
| 70600 HUD PHA Operating Grants                                | 55,420                     | 24,784                         | 80,204         |
| 70700 Total Fee Revenue                                       | <u>55,420</u>              | <u>24,784</u>                  | <u>80,204</u>  |
| 71100 Investment Income-Unrestricted                          | 408                        | -                              | 408            |
| 71500 Other Revenue   | 203                        | -                              | 203            |
| 70000 Total Revenue   | <u>102,283</u>             | <u>24,784</u>                  | <u>127,066</u> |
| <b>Expenses</b>   |                            |                                |                |
| 91100 Administrative Salaries                                 | 16,507                     | -                              | 16,507         |
| 91200 Auditing Fees   | 3,209                      | 2,500                          | 5,709          |
| 91400 Outside Management Fees                                 | 7,299                      | -                              | 7,299          |
| 91500 Employee Benefit Contributions-Administrative           | 2,429                      | -                              | 2,429          |
| 91600 Office Expense  | 5,990                      | -                              | 5,990          |
| 91900 Other   | 3,968                      | -                              | 3,968          |
| 91000 Total Operating - Administrative                        | <u>39,402</u>              | <u>2,500</u>                   | <u>41,902</u>  |
| 93100 Water   | 258                        | -                              | 258            |
| 93200 Electricity   | 3,210                      | -                              | 3,210          |
| 93300 Gas   | 741                        | -                              | 741            |
| 93600 Sewer   | 128                        | -                              | 128            |
| 93000 Total Utilities   | <u>4,338</u>               | -                              | <u>4,338</u>   |
| 94100 Ordinary Maintenance and Operations-Labor               | 19,759                     | -                              | 19,759         |
| 94200 Ordinary Maintenance and Operations-Materials and Other | 2,053                      | -                              | 2,053          |
| 94300 Ordinary Mainenance and Operations-Contract Costs       | 644                        | 2,729                          | 3,374          |
| 94500 Employee Benefit Contributions-Ordinary Maintenance     | 2,373                      | -                              | 2,373          |
| 94000 Total Maintenance                                       | <u>24,830</u>              | <u>2,729</u>                   | <u>27,559</u>  |
| 96110 Property Insurance                                      | 6,035                      | -                              | 6,035          |
| 96120 Liability Insurance                                     | -                          | -                              | -              |
| 96130 Workers Compensation                                    | 1,325                      | -                              | 1,325          |
| 96140 All Other Insurance                                     | 872                        | -                              | 872            |
| 96100 Total Insurance Premiums                                | <u>8,232</u>               | -                              | <u>8,232</u>   |
| 96200 Other General Expenses                                  | 158                        | -                              | 158            |
| 96400 Bad Debt-Tenant Rents                                   | 773                        | -                              | 773            |
| 96000 Total Other General Expenses                            | <u>931</u>                 | -                              | <u>931</u>     |
| 96900 Total Operating Expenses                                | <u>77,732</u>              | <u>5,229</u>                   | <u>82,962</u>  |
| 97000 Excess Operating Revenue over Operating Expenses        | <u>24,550</u>              | <u>19,554</u>                  | <u>44,105</u>  |
| 97400 Depreciaiton Expense                                    | 26,377                     | -                              | 26,377         |
| Total Other Expenses  | <u>26,377</u>              | -                              | <u>26,377</u>  |
| 90000 Total Expenses  | 104,109                    | 5,229                          | 109,339        |
| 10010 Operating Transfers In                                  | 19,554                     | -                              | 19,554         |
| 10020 Operating Transfers (Out)                               | -                          | (19,554)                       | (19,554)       |
| 10100 Total Other Financing Sources (Uses)                    | <u>19,554</u>              | <u>(19,554)</u>                | <u>-</u>       |
| 10000 Excess (deficiency) of Revenue over Total Expenses      | <u>17,728</u>              | -                              | <u>17,728</u>  |
| 11030 Beginning Equity  | 190,879                    | -                              | 190,879        |
| Restatement of NPL  | 33,471                     | -                              | 33,471         |
| 11,190 Unit Months Available                                  | 253                        | -                              | 253            |
| 11210 Number of Unit Months Leased                            | 233                        | -                              | 233            |

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**COMPLIANCE SECTION**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
INDEPENDENT AUDITOR'S REPORT**

Timothy M. Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Village of Maxwell  
Maxwell, NM

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund of the Village of Maxwell as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village of Maxwell's basic financial statements, and the combining and individual and related budgetary comparisons of the Village of Maxwell, presented as supplemental information, and have issued our report thereon dated October 13, 2017. Our report disclaims an opinion on such financial statements because The Village of Maxwell was unable to provide sufficient evidential matter in support of certain transactions and account balances, as presented in the Village's financial statements as of and for the year ended June 30, 2017, particularly with respect to the revenues, expenditures and capital assets. It was impracticable to extend our audit procedures sufficiently to determine the extent to which Village of Maxwell's financial statements as of and for the year ended June 30, 2017 may have been affected by the matters discussed in the preceding paragraph; accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements as of and for the year ended June 30, 2017.

**Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements, we considered the Village of Maxwell's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Maxwell's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Maxwell's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the

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accompanying schedule of findings and responses to be material weaknesses. The material weaknesses are described as 2010-003, 2010-006, 2013-003, 2015-004, 2016-001, 2016-002, 2017-001, 2017-003 and 2017-007.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. The significant deficiency is described as 2015-001, 2017-002 and 2017-008.

### **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the Village of Maxwell, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2017-004, 2017-005, 2017-006 and 2017-009.

### **The Village of Maxwell's Response to Findings**

The Village of Maxwell's responses to the findings identified in our engagement are described in the accompanying schedule of findings and responses. Village of Maxwell's responses were not subjected to auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Village of Maxwell's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village of Maxwell's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Precision Accounting LLC*

Precision Accounting LLC  
Albuquerque, New Mexico  
October 13, 2017

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**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**A. CURRENT FINDINGS - FINANCIAL STATEMENT AUDIT**

**2010-003/2010-03/ Capital Assets Inventory (Material Weakness) repeated and revised**

CONDITION: The Village hired RCI to conduct an inventory listing. During our test work, we noted discrepancies in the dates in service and the costs. When we inquired with the Maintenance Supervisor, he compared the listing to the insurance coverage listing and found that there were many discrepancies resulting in an inaccurate listing. The Village has a Capital Asset list derived from the 2007 audit that may not be complete for items purchased and disposed of from 2007 to current. Additions for 2013-2017 were added to the list and depreciation was computed for those years. Despite the Village's attempt to identify assets, the progress was limited as the list is still incomplete. The cause of the limited progress is due to the items being placed in service many years ago and the historical cost of those assets not being maintained. We also noted that the Housing Authority employees were using the storage and shop facilities at the Housing Authority for personal items. After the employees terminated employment it was noted that employees removed all items from the storage and shop areas. Due to the Housing Authority not having an inventory prior to this incident, the inventory list provided by the Maxwell Housing Authority at year end may not be adequate. Management does not believe any Village owned property was taken but cannot verify if the year-end listing is complete.

CRITERIA: Each Agency is required to maintain a capital assets list as per section 12-6-10 NMSA, 1978.

CAUSE: It appears that during the 2007 audit a list of capital assets was prepared but the listing has only been updated for additions from 2013 to current and may not include disposals. It also appears that the Housing Authority was not taking inventory throughout the year.

EFFECT: Without a complete and accurate capital asset inventory list, there is a greater risk of undetected misappropriation of assets. This may have a material effect on the financial statements if left unaccounted for.

RECOMMENDATION: The Village should take inventory of its capital assets to ensure completeness and should maintain the listing of all Village capital assets and related depreciation.

CLIENT RESPONSE: Due to the Village of Maxwell not having access to the Capital Asset records for the Maxwell Housing it was impossible to include them in the Village RCI program start up. This issue caused the Village management to not be able to reconcile the assets nor the inventory lists of the Maxwell Housing Authority. The Village has no information on the equipment that belonged to the Housing Authority nor the locations of any equipment. The Village of Maxwell is in the process of reconciling the Capital asset lists of Village equipment and assets to the RCI Asset Management Program. These lists include the insurance listings, the excel spreadsheet the auditor drafted, and the physical process of the documenting of the asset in the RCI Program. The Village of Maxwell Deputy Clerk and the Utility Operator will work to correct this issue so the inventory lists may be combined in one report providing the most accurate values and listings. This issue should be resolved by June 30, 2018. The Raton Housing Authority has conducted an inventory list that will be implemented into the RCI Program.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**2010-006 [2010-6][2010-7] Controls over Disbursements (Material Weakness) repeated and revised**

CONDITION: During our test work over cash disbursements, we noted a total of thirty-six (36) exceptions out of a sample of ninety (90) transactions that were due to a lack of adequate supporting documentation. Seven (7) exceptions out of the thirty-six (36) exceptions noted were specific to the Housing Authority. This resulted in a 40% error rate, and when projected to the population of 709 checks represents approximately 284 potential errors. There was no progress on this repeated finding from the prior year.

CRITERIA: NMSA 1978, section 6-5-8, states that purchases for goods and services, other than personnel, must be accompanied by supporting invoices and documentation. In addition, the New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978) states that purchase orders should be approved by management prior to purchases, including P.O. revisions as necessary.

CAUSE: Board Officials and Department Heads are operating independent and are bypassing the Certified Procurement Officer in the procurement process.

EFFECT: Without adequate supporting documentation for purchases, and inconsistent use of purchase orders, there is a high risk for unsupported or improper purchases. Precision accounting was unable to validate expenditures to determine if purchases were properly authorized..

RECOMMENDATION: We recommend all departmental accounts be returned to the Deputy Clerk, as the authorized certified procurement officer, and to empower her to implement controls over cash disbursements where purchase requisitions, purchase orders, estimates, and invoices are required documents for all purchases prior to obligating the Village.

CLIENT RESPONSE: The Deputy Clerk/CPO Officer is diligently working with the Governing Body and the Utility Operator to ensure all process & purchasing procedures are followed according to the NM Procurement Code. All transactions will consist of the requisition signed by the requester, the purchase order that was issued by the Deputy Clerk for the purchase signed by the Mayor and Deputy Clerk, the packing slip (when available) will be initialed, the invoice will be processed, and copy of the payment will be bound in the transaction documents. This process will ensure an accountable purchasing process. This purchasing procedure has been sent to all the Governing Body as well as the Utility Operator for implementation. The Village did not have access to the Maxwell Housing Authority financial system nor the records to have an oversight of the process being implemented for purchasing. The Raton Housing Authority has been contracted for all administration of the Maxwell Housing Expenditures. This issue should be resolved by June 30, 2018.



**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**2013-003 Non-Compliance with IRS rules on Contract Labor (Material Weakness and Other Matter) repeated and revised**

CONDITION: During our test work, we noted that the Village has five “contractors” that do not fall under the IRS regulations of contract employees. The Village of Maxwell determines when they work, where they work, and provides supplies & materials to do the job, etc. The lack of progress was due to failure of follow up on prior year audit findings in regard to the IRS regulations.

CRITERIA: IRS Publication 1779 states that there are three categories that determine if an employee is a contractor vs an employee. Criteria for determining contractor vs employee falls into the categories:

- Behavioral Control:
  - How, when or where to do the work.
  - What tools or Equipment to use.
  - Where to purchase supplies, and services
- Financial Control:
  - Opportunity for Profit or Loss
  - Significant Investment
  - Expenses
- Relationship of Parties
  - Employee Benefits
  - Written Contracts

CAUSE: Unknown

EFFECT: Misclassification of employees as independent contractors without a reasonable basis can result in the Village and the Maxwell Housing Authority being held liable for all employment taxes for those workers.

RECOMMENDATION: We recommend that the Village review the IRS regulations regarding independent contractor vs employee guidelines and determine the employer-employee relationship by documenting reasonable basis for the selection on file.

CLIENT RESPONSE: All part time Village employment will be created in the system as temporary employee or part time employees subject to payroll taxes, by the Deputy Clerk. There will not be any contract labor hired for any work in the Village. The Village Management was not aware cleaning services and seasonal workers were to be classified as an employee and not contract labor. The process of employee classifying will be adhered to for all labor hired. The Village did not have access to the Maxwell Housing Authority financial system nor the employee records to have an oversight of the process being implemented for hire of employees or labor. The Raton Housing Authority has been contracted for all administration of the Maxwell Housing employees. This issue should be resolved by June 30, 2018.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**2015-001 Trial Balance/SAS 115 (Significant Deficiency) repeated and revised**

CONDITION: The Village accounting software was set up to classify the transactions by fund, however, there were numerous posting errors between line items. Cash per Quickbooks did not agree with the bank reconciliations at June 30, 2017. Limited progress was made in setting up the proper classifications of funds within the Quickbooks program but there are more posting errors between line items.

CRITERIA: Statement on Auditing Standards section 325, Communication of Internal Control Related Matters Identified in an Audit, requires that management accept responsibility for the internal controls over financial reporting.

CAUSE: The change in the chart of accounts to include fund, function and account code resulted in numerous miscodings between line items due to the fact that the name must be matched to the fund and the function to be properly classified.

EFFECT: The Village's financial information may not be accurate to the fund and function.

RECOMMENDATION: Transactions should be recorded with consistency. In addition, a procedure manual should be created to alleviate inconsistencies when turnover occurs.

CLIENT RESPONSE: The Village Management is currently working to ensure each transaction is classified to the correct fund with the new Chart of Accounts System. The Village had the Quickbook's Program restructured and implemented with the Chart of Accounts codes to match the Local Government Budget Management System program. The Village of Maxwell is an active participant in the Local Government Budget Management System for the FY18. Due to the transition process management has been diligently working to ensure all transactions are recorded to the correct fund. Profit and Loss reports are being generated to provide an overview of the transactions and proof of the correct classifications. The Village did not have access to the Maxwell Housing Authority financial system nor the records to have an oversight of the process being implemented for quarter reporting nor of the budget. The Raton Housing Authority has been contracted for all administration of the Maxwell Housing Expenditures. This issue should be resolved by June 30, 2018.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**2015-004 Utility Receipting (Material Weakness) repeated and revised**

CONDITION: During the course of the audit, we noted forty (40) exceptions out of a population of forty (40) where the billing is not being calculated or billed properly. The Village is not utilizing the Caselle billing system. There was no progress on this repeated finding from the prior year.

1. Conservation fees were not billed according to the Village's ordinances and policies.
2. Meter reads were not transcribed correctly from the manual meter readings to the billing spreadsheet used to create customer billing invoices. The Village is performing manual meter readings and manually calculating utility bills on an excel spreadsheet using these manual meter readings.
3. Due to meter reads not being transcribed correctly to the excel spreadsheet there were accounts that were under billed for gallons used.
4. Receipt was not posted into the system the day of receipt.
5. Customer account number differs between QuickBooks and Caselle.

The following are features on Caselle billing system that are not being utilized by the Village:

1. Electronic meter readers to perform the monthly meter.
2. Calculating utility bills

Due to the condition noted above PALLC was unable to ascertain the customer billings to ensure that customer billings were being calculated accurately.

CRITERIA: The Village is in violation of their ordinances in regards to water, sewer, and landfill billing. The Village is not properly billing customers for conservation fees or water usage. NMSA 1978 sections 6-10-1 to 6-10-63 require proper management, handling and accountability of cash. This includes good accounting practices and generally accepted accounting practices require that the bank balances be reconciled appropriately to the general ledger.

CAUSE: The Village does not maintain adequate records to mitigate errors between a manual system and the computer system.

EFFECT: The manual process for utility billing can cause errors in calculating customer utility billings. This can potentially cause misstatement in utility revenues. Additionally, the Village is not making proper use of public funds by paying for Caselle services and not utilizing those services.

RECOMMENDATION: The Village is recommended to perform a final check prior to final billing to ensure that all meter reads, sewer rates, and landfill rates are calculated correctly. The Village is also encouraged to begin using Caselle so that they can transfer from manual billing to begin executing accurate customer utility billings.

CLIENT RESPONSE: The Village management has recently transitioned to the Utility billing software in Caselle. Due to the initial setup not all the customer numbers were recorded exact by the system. The Village Deputy Clerk is working closely with the Caselle technical support to resolve these issues. The Village Utility Department and Management are working to ensure the water meter readings are directly input into the Caselle Utility Management system. During the transition the management to Caselle the Excel spreadsheet was no longer needed due to the billing option of the Caselle system. Due to the Caselle Utility billing system the excel spreadsheet has been eliminated and the manual calculations are no longer required as the manual readings are entered directly into the program in which it is then the program generates the billings. Previously the Deputy Clerk had to manual enter each service billing to each account the new software has provided a more efficient use of time for the billing purposes. Currently the Village does not have the funding to purchase all the meters required for an automatic reading system. Management is receipting the utility payments in the Caselle system the same day they are received to ensure an accurate daily deposit record. Ordinances are being reviewed to ensure the correct fees are being charged to the customer for the utility services. This issue should be resolved by June 30, 2018.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**2016-001 Under Billing for Payroll Services (Material Weakness), repeated and revised**

CONDITION: During the course of the audit, we noted that The Village is under billing the Maxwell Housing Authority (MXHA) for payroll services. For the combined months between September 2016 to June 2017 the Village did not bill the Maxwell Housing Authority for the payroll services for housing employees. The amount due from Maxwell Housing Authority is: \$5,144.07 for gross wages, \$121.73 for the employer's portion of FICA/Medicare, \$121.66 for the employer's portion of PERA, and \$2.30 for worker's compensation. There was a lack of progress within the fiscal year under audit to implement the corrections needed from the prior year but subsequent to year end, the Village is properly billing for these payroll services and provided support to validate payments received for invoices regarding the payroll services offered to the Maxwell Housing Authority.

CRITERIA: NMSA 1978 section 6-5-2 "Internal Controls" states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll. GAAP requirements and accounting principles must be followed for recording and maintaining proper accounting records.

CAUSE: The Village failed to bill the MXHA in some cases and in other instances, the Village did not accurately capture all associated taxes related to MXHA resulting in under billings.

EFFECT: The Village is under billing the MXHA and is therefore not recapturing the total amount of payroll services they provide.

RECOMMENDATION: The Village is recommended to perform a final check prior to final billing to ensure that all payroll services are captured properly.

CLIENT RESPONSE: Due to the lack of communication between the Maxwell Housing Authority Executive Director and the Maxwell Village Staff the Village did not have access to the payroll records to compare the figures. The Village received a copy of time sheets for the payroll of the Maxwell Housing Authority. The payroll was micromanaged by the executive director to reflect the figures she has comprised per payroll. Due to these circumstances the payroll issue was ongoing. Currently the Village has contracted with the Raton Housing Authority for all the Maxwell Housing payroll and program Administration. This finding will be resolved in the FY18 audit. The Village will submit a bill to the Maxwell Housing Authority for the amount owed to the Village. The Raton Housing Authority and Maxwell Village Staff are currently reviewing this. This issue should be resolved by June 30, 2018.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**2016-002 Noncompliance with Payroll (Material Weakness) (Repeated and Revised)**

CONDITION: During our test work of seventeen (17) payroll employees across 6 months we noted the following exceptions:

1. Four (4) W-4s that could not be located, and three (3) W-4s that did not match what was entered into the accounting system.
2. Six (6) I-9s that could not be located, and six (6) I-9s that were not properly filled out.
3. Accrued vacation/sick time is not being calculated correctly. Employees are accruing over maximum hours and are accruing more hours than The Village personnel policy allows.
4. Seven (7) checks & time sheets that could not be located.
5. One (1) instance where an employee was not docked for sick leave used
6. One (1) instance where an employee was underpaid by 1 hour totaling \$10.00
7. One (1) instance where an employee was overpaid by 4 hours totaling \$40.00
8. One (1) instance where an employee was paid out for accrued leave after employment was ceased with the Village. The payout of leave was in violation of the Village of Maxwell's housing authority personnel policy.
9. All wages cannot be authorized or verified due to lack of a salary schedule, signed contracts by the Village, and unapproved time sheets (unsigned by employee or supervisor).
10. Two (2) paychecks were coded to incorrect accounts.
11. Two (2) paychecks where the wages were incorrectly disbursed. 2 employees were reimbursed for all PERA withheld even though the wages were subject to PERA.
12. Two (2) 941 Quarterly Reports could not be located, 941 payments could not be reconciled to the general ledger because payroll could not be validated and reports were missing. Additionally, The Village has received multiple correspondences from the IRS regarding late reports, unfiled reports, penalties, and balances due.
13. PERA is not being withheld on wages as required, PERA reports are missing, and all payments were not being remitted. PERA could not be reconciled to the general ledger because payroll could not be validated and reports were missing.

There was no progress on this repeated finding from the prior year.

CRITERIA: NMSA 1978 section 6-5-2 "Internal Controls" states that proper internal controls should be designed and employed to prevent accounting errors and violations of state and federal law and rules related to financial matters, including payroll. GAAP requirements and accounting principles must be followed for recording and maintaining proper accounting records.

CAUSE: Unknown

EFFECT: Without proper review and agreement of all payroll files, processes (including W4s, I9s, employee contracts, accrued sick/vacation time, PERA rates, and 941 reporting), and policies the Village is at risk of making inaccurate payroll disbursements. The result could be an overstatement/understatement of wages, tax, and other benefit liabilities/expenditures for the 2016- 2017 fiscal year.

RECOMMENDATION: The Village is encouraged to have staff perform a review and agreement of employee contracts, W4s, I9s, personnel policies and payroll setup for accrued sick/vacation, PERA, and 941s to ensure accuracy of wage payments. Additionally, we recommend staff perform a review of processes and controls to ensure accuracy of the reporting and payments.

CLIENT RESPONSE: The Village Deputy Clerk is continually working to classify employees correctly and setting a process of employee record keeping. Process of all verification of leave will be certified by each employee as they will be required to sign a timesheet that reflects the time of leave and to which leave is approved. The Finance Clerk and Mayor will sign this form as verification for each pay period. The Maxwell Management did not have access to the Maxwell Housing Authority records to review the correct figures of the times of the accrual leave, the PERA reports, or the 941 reports. The overpayment of the accrual leave and PERA payout was due to the policy the Maxwell Housing Authority board had approved and had not submitted the changes to the Village Governing Body for review or final approval. This conflict was due to the Maxwell Housing Board and the Maxwell Executive Director not following the process of approval of policy to the Village Governing Body. The Raton Housing Authority has been contracted to administer all aspects of the Maxwell Housing Authority which include payroll, all 941 reports as well as any PERA payments and reporting for any employees working for the Maxwell Housing Authority. This issue should be resolved by June 30, 2018.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**2017-001 Controls over Receipts (Material Weakness)**

CONDITION: During our test work over cash receipts, we noted thirty-seven (37) exceptions out of the one hundred and thirty-six (136) receipts tested. The Housing Authority's books are maintained separately although they were classified as a department for the fiscal year 2016-2017. Specific to the Housing Authority we noted sixteen (16) exceptions. Ten (10) exceptions, of the sixteen (16) were due to cash being accepted as payments for rent which violates the Housing policy. Six (6) exceptions, out of the sixteen (16), were due to the receipts not being deposited into the bank within 24 hours. Specific to the Village, we noted twenty-one (21) receipts that did not have adequate supporting documentation. Combined, this resulted in a twenty-seven (27) percent error rate, and when projected to the population of 482 receipts represents potentially 131 additional errors.

CRITERIA: NMSA 1978 sections 6-10-1 to 6-10-63 require proper management, handling and accountability of cash. This includes good accounting practices and generally accepted accounting practices require that the bank balances be reconciled appropriately to the general ledger. The Housing's Internal Control Policy: "No cash will be accepted for the payment of rent. All tenants shall be required to pay by check or money order." NMSA 1978 Section 6-5-2 states "2. Document the receipt of money using a pre-numbered cash receipts slip, validated cash register receipt, or a cash receipt log. Record the date, amount, and person issuing the receipt. Record the payer, when applicable."

CAUSE: Failure to follow proper internal controls to prevent accounting error.

EFFECT: Without the use of internal controls and adequate supporting documentation we were unable to determine if receipts were properly recorded and classified. It appears that the Village is in violation of NMSA 1978 and the Housing's Internal Policy.

RECOMMENDATION: We recommend all staff involved with the Maxwell Housing Authority to review all policies and implement them in all day-to-day operations. Staff is also encouraged to review NMSA 1978 Sections 6-10-1 to 6-10-63 and 6-5-2 to implement proper management, handling and accountability of cash.

CLIENT RESPONSE: The Village of Maxwell management is working to implement a system of binding all documentation to each receipt to show its original receipting and posting. The Village staff has located many of the transactions and back up documentation. Monthly receipts are automatically sent to the bank and a receipt warrant is not received. Those transaction will be documented on the bank statements as to their origin and fund.

The Village of Maxwell management staff did not have access to the Maxwell Housing Authority procedures or of the receipt of payments received to oversee or reconcile to verify if the correct process was being followed. The Executive Director position has been eliminated and contracted to the Raton Housing Authority. This change in administration management will ensure all payments are collected, receipted, and applied according to New Mexico State Statute and internal policy. This finding will be resolved by June 30, 2018.

**STATE OF NEW MEXICO**  
**VILLAGE OF MAXWELL**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2017

**2017-002 Lack of Bid Documentation- (Significant Deficiency)**

CONDITION: During our test work of bids for the fiscal year 2016- 2017 we were provided documentation regarding a vendor's response to an RFP for "Water Storage Tank Replacement" indicating the Village went out to bid. However, during the course of the audit the Village was unable to provide adequate supporting documentation to determine if the procurement code was properly followed. It is unclear whether the procurement process was followed for the bid or whether the bid was awarded to a vendor. Because there was inadequate supporting documentation it was unclear whether the procurement process was followed for the bid or whether the bid was awarded to this specific vendor as they were paid in excess of \$60,000 during the fiscal year 2016-2017.

CRITERIA: NMAC section 1.4.1.45 states that after bid, any written determinations pursuant to these rules, the evaluation committee report and each proposal, except those for which the offeror has made a written request for confidentiality, shall be open to public inspection. Additionally, NMAC Section 1.4.1.24 Section G states following bid, a record showing the basis for determining the successful bidder shall be made a part of the procurement file.

CAUSE: Unknown.

EFFECT: The Village appears to be in noncompliance with NMAC section 1.4.1, NMSA 1978 sections 13-1-1 to 13-1-199 with regards to the regulations of the procurement processes. Bid documents are not available for public inspection or for the auditors.

RECOMMENDATION: The Village should have all personnel in charge of reviewing and approving purchases to perform a review of the state statute regarding procurement rules and regulations ensuring compliance with procurements of services and other purchases. Adequate documentation should be obtained, retained, and included as support to ensure the bid process took place, and to show whether or not the Village was following the State Procurement Code.

CLIENT RESPONSE: The request for proposals was advertised for the water storage tank replacement preliminary engineering report. All proposals were evaluated and the firm with the highest point range was awarded the project of the preliminary engineering report. This award was not for construction of the project it was for the Engineering firm to generate the preliminary engineering report. The Village is currently in the planning phase of this project which the Preliminary Engineering Report will identify and prioritize the project phases upon the determination of priority. The Village will then work to identify funding sources and funding availability for the Village to complete this project..

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June 30, 2017

**2017-003 Unreconciled Water Variances (Material Weakness)**

CONDITION: During our test work over utilities, we noted that the annual water loss is 1,411,795 gallons. This totals to an annual revenue loss of \$34,434. The monthly average loss is \$2,870. This water loss ranges 5% to 10% higher than the acceptable water losses of 10% to 15% from public water system based on the EPA Report of Control and Mitigation of Drinking Water Losses in Distribution Systems.

CRITERIA: EPA Report of Control and Mitigation of Drinking Water Losses in Distribution Systems. The percentage of water loss exceeds the acceptable amount per the EPA report regarding water losses.

CAUSE: The Village does not perform monthly analytics to ensure that there are no water losses.

EFFECT: Without efforts to minimize water loss, the amount lost can increase and cause the water revenues to decrease for the Village.

RECOMMENDATION: We recommend that the Village perform monthly analytics to ensure that their water is reconciling to what was billed to their customers.

CLIENT RESPONSE: The Utility Operator has not submitted the meter readings from the wells to compare the water produced to the amount of water sold. Due to this process not being unified management was unaware of the loss. Additional water that is reported as a loss is due to unmetered water was used by the Maxwell Fire Department for fire suppression. Additionally, the Village has an aged Water Distribution System that has produced water leaks. Currently the management is in the process of obtaining funding for the replacement of the dilapidated water lines. The Village does not have the leverage to obtain loan funding as the funding for this project will have to be through an application of the Community Development Block Grant. The Village staff is working with the Utility Operator to obtain the correct water well readings to have a comparison of the water usage in the Village on a monthly basis to identify water losses. This will be completed by June 30, 2018.



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**2017-004 Non-compliance with Housing Leases and Inspections (Non-compliance)**

CONDITION: During our test work over Housing's tenant files, we noted nine (9) out of the ten (10) tenant files did not have an updated lease signed. Some leases were more than a year old dating back to 1997 and did not have management's signature on them. Ten (10) out of the ten (10) files tested were overdue on their annual application review for eligibility and inspections.

CRITERIA: HUD's Occupancy Handbook requires leases to be signed by both the tenant and management. Annual reviews for eligibility also must be complete on or before the expiration date.

CAUSE: The Village does not perform annual reviews or inspections for Housing tenants and did not update leases as needed.

EFFECT: The Village increases their liability when a lease expires as that tenant is not bound to follow those rules and can potentially move out without notice. By not performing annual reviews of tenant files and eligibility this can potentially cause an oversight if rent needs to be adjusted based on the tenant's income. When inspections are not performed this can lead to a risk of property being damaged.

RECOMMENDATION: We recommend that the Village go through all tenant files and update leases, inspections and annual reviews.

CLIENT RESPONSE: The Village of Maxwell Staff did not have access to the files or information for review for oversight of the Maxwell Housing Authority. The Maxwell Housing Executive Director position has been eliminated and the Raton Housing Authority is contracted to administer the Maxwell Housing procedures to ensure all files, leases, inspections, and annual reviews are in compliance with the State of New Mexico as well as the Housing and Urban Development (HUD) requirements. This finding will be resolved by June 30, 2018. All unsigned Lease have been corrected, Accordance with section 2. Of the Maxwell Housing Authority Lease "Lease Term: This Lease shall begin on \_\_\_\_\_. The term shall be one year and shall renew automatically for another year, unless terminated as provided by this Lease."

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**2017-005 Non-compliance with Anti-Donation with Related Party Transactions (Non –compliance)**

CONDITION: During our test work over related party transactions we noted that the Village was invoicing the Mayor for work performed at his residence by Village employees using Village owned equipment. The Village has a rate sheet for services that can be provided to constituents. We noted that the rate sheet appears to be outdated and does not reflect the current hourly rates for Maintenance employees. The Village is purchasing materials and invoicing the Mayor for the cost of materials and labor according to the rate sheet however, the invoice for materials did not match the support provided to us by the Maintenance employee resulting in the Village under billing for services. It appears that this transaction was not done at arm's length. The billings totaled \$884.11 and the Mayor made a payment of \$500.00 as of June 30, 2017. Subsequent to year end it was noted that the Mayor made an additional \$500.00 payment.

CRITERIA: "The New Mexico Constitution strictly prohibits donations to individuals by governmental entities. The provision provides in pertinent part, "neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation" N.M. Const. art. IX, § 14."

CAUSE: It appears that the Village is billing services at the incorrect rates.

EFFECT: The Village appears to be in non-compliance with NM Constitution article IX section 14 with regard to anti-donation. The Village may also at risk of processing payment for transactions that could potentially result in a loss to the Village and that could beneficial self-interest.

RECOMMENDATION: We recommend that the Village cease conducting business transactions with employees or council of the Village. The Village should implement controls to monitor related party transactions.

CLIENT RESPONSE: The Maxwell Village Management is working with all departments to eliminate any use of Village equipment or services on private property. The Governing Body has requested a more detailed monthly report from the Utility Department of all work conducted on a monthly basis. This reporting will assist in the oversight of this issue. The Utility Operator has ensured this issue will not be repeated in the FY18 audit. The Village will not be providing any business transactions or related party transaction to any member of the public that will violate the anti-donation clause of the New Mexico Constitution. Consideration of an emergency situation only will be approved by the Mayor. All labor, equipment, and materials will be documented and charged accordingly. All Village employees and members of the Governing Body will be prohibited from the use of any Village equipment, labor, or materials for any personal assistance. This issue should be resolved by June 30, 2018.

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**2017-006 Non-compliance with the Ethics Policy (Non –compliance)**

CONDITION: During the course of our audit we noted that the Acting Executive Director of the Housing Authority was the direct supervisor to their spouse. It was also noted that a Council Member is the father of an individual who resides in Housing. This Council Member did not recuse themselves from decision made for the Housing Authority.

CRITERIA: The Housing Authority’s Ethic Policy state: “No member of the family of any Authority employee shall be appointed or hired to serve under the direct supervision or authority of that employee, and in no event shall any Authority employee participate in the decision-making regarding employment or contract for services of any family member.” “1. No Commissioner shall vote, decide on, or discuss any matter before the Board if that Commissioner has an interest in the matter, except that: A. A Commissioner having interest through a voluntary association with the person or organization may be allowed to discuss the matter. B. If the matter concerns a person or organization with which the Commissioner had former contact, and that former contact existed either prior to his or her selection, or occurred at least two years prior to the current discussion of the matter, the Commissioner may freely act.”

CAUSE: It appears that the Village did not follow their policy to create a segregation between spouse employees. Additionally, it was noted that the Village Board took over the Housing Authority in April 2017. Although there was a separate Housing Board from July 2016 – April 2017, the Village’s Board is ultimately responsible for the Housing Authority. A Village Council Member who is the father of an individual residing in Housing did not recuse himself from any dealings with the Housing Authority.

EFFECT: The Village appears to be out of compliance with their ethics policies.

RECOMMENDATION: We recommend that the Village review all policies, implement them in all aspects of the Village’s operations, and monitor compliance with them.

CLIENT RESPONSE: The Executive Director position for the Maxwell Housing Authority has been eliminated and all administration of the Maxwell Housing Authority is contracted with the Raton Housing Authority. The Governing body has approved the transfer of the Maxwell Housing Authority to the Raton Housing Authority for all administration and procedural requirements of the housing and Urban Development Program (HUD). All personnel for the Maxwell Housing Authority will be supervised by the Raton Housing Authority to ensure there are no conflicts of interest and all policies are followed. The Governing Body has been made aware of this issue and will diligently implement the process of recusal during discussion and when a vote is necessary for the Maxwell Housing as an agenda item of action. This issue will be resolved by June 30, 2018. All conflicts have been resolved, at the time the Council Members family member was residing at the Maxwell Housing Authority, all the management and financial decisions were made by the Maxwell Housing Authority Board of Directors, not the Maxwell Village Council.

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**2017-007 Controls over Travel and Per Diem (Material Weakness)**

CONDITION: During our test work over travel and per diem, we noted twenty-two (22) exceptions lacking adequate supporting documentation. Within the twenty-two (22) exceptions, three (3) exceptions were due to the Village paying in excess of the maximum allowable in-state rate. Over a sample population of twenty-eight (28) travel and per diem expenditures tested, this resulted in a 79% error rate.

CRITERIA: DFA Rule 95-1 states that salaried public officers or employees receive no more than eighty-five dollars (\$85) per diem expenses for each day spent away from his home and away from his designated post of duty and \$135 for high cost area (Santa Fe). Proper internal controls should be employed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

CAUSE: Failure to follow proper internal controls to prevent violating DFA Rules..

EFFECT: Without the use of internal controls and adequate supporting documentation we were unable to determine the extent of the violations.

RECOMMENDATION: We recommend that the Village review all policies and ordinances along with the Procurement Code and implement internal controls to comply with DFA Rules.

CLIENT RESPONSE: A travel request procedure will be drafted and presented to all employees for a reference of process. This procedure will be followed by all employees. The process will include a request for travel sheet which will be signed by the requestor and the Mayor. This transaction will include the purchase order and agenda of the meeting of the travel request. The requestor will be paid 80% of the total in advance and 20% upon return. The transaction will include all supporting documentation for the travel. This issue should be resolved by June 30, 2018.

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**2017-008 Controls over Credit Cards (Significant Deficiency)**

CONDITION: During our test work over credit cards we noted that the Village does not secure the gas fuel cards in a locked area and is being kept with the driver of the vehicles.

CRITERIA: NMAC 1.5.3.19 “(1) Credit card shall be kept with the assigned vehicle and not with the driver. (2) Card is stored in the protective sleeve and out of direct sunlight or other heat sources.” The Village is responsible for establishing and maintaining internal controls that include controls for the generally accepted accounting principles (GAAP) basis financial statements issued by the Village. The “Green Book” sets the standards for effective internal control systems for federal agencies and may also be appropriate for adoption by state, local, and quasi-governmental entities as a framework for an internal control system.

CAUSE: The Village was unaware of the need to establish controls around credit cards.

EFFECT: The internal control structure is inadequate and not documented which leaves management and staff unsure about what procedures and processes to follow to properly safeguard assets. Internal control weaknesses can allow errors to go undetected and also provide the opportunity for individuals to commit fraudulent activity without detection. Failure to implement effective internal control increases the Village’s exposure to theft, errors or misappropriation of funds.

RECOMMENDATION: We recommend that the Village establish internal controls to safeguard credit cards.

CLIENT RESPONSE: The Maxwell Fire Department and the Maxwell Utility Department will comply with this request and leave all fuel cards in the vehicles in which they are assigned by June 30, 2018. Receipts for all transactions are requested to reconcile the fuel usage on a monthly basis. Full time employees’ and the Maxwell Fire Department Chief and assistant Chief have been assigned a unique security code which allows for the usage of the fuel cards at fuel locations. The cards provide a tracking report of the fuel, time, location, vehicle, and user of the fuel card. The card is limited for the use of fuel purchase only.

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June 30, 2017

**2017-009 Non-compliance over Reporting (Non-compliance)**

CONDITION: The Village's DFA report did not reflect the audited cash balances from the prior year's audit report.

CRITERIA: 2.2.2.10.D NMAC - The financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America. Clarified Statements on Auditing Standards (AU-C) Section 200 paragraph .05 – Financial statements are management's responsibility. Good accounting practices recommend retaining documentation, reconciliations, and any other explanatory items necessary to support financial transactions.

CAUSE: The use of un-audited cash balances were reported to DFA.

EFFECT: The quarterly reports submitted DFA appear to be incorrect as they do not reflect the audited cash balance. There is no support to show why the Village reported different figures.

RECOMMENDATION: We recommend that the Village report the audited cash balances to DFA and implement NMAC 2.2.2.10 D and AU-C Section 200 into their daily operations.

CLIENT RESPONSE: The Village Clerk and Deputy Clerk will obtain the ending cash balances as reported by the Independent Auditor to the Department of Finance reports and submit for approval of adjustment to the DFA Budget Analyst. Management has undergone a transition in the Local Government Budget Management System (LGBMS) for the FY18 audit year. This process includes the reporting of the budget and all quarterly reports. The Quickbook's system has been coded to match the LGBMS for accurate reporting. Management will diligently work to ensure all reporting reflects the accurate balances that are presented in the Quickbook's Program for the Department of Finance quarterly reporting. This issue should be resolved by June 30, 2018.

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**OTHER DISCLOSURES**  
June 30, 2017

**PRIOR YEAR AUDIT FINDINGS**

2010-003 [2010-03] Capital Assets Inventory – repeated and revised  
2010-006 [2010-6][2010-7] Controls over Disbursements – repeated and revised  
2013-003 Non-Compliance with IRS rules on Contract Labor (Material Weakness) repeated and revised  
2015-001 Trial Balance/SAS 115 (Material Weakness) repeated and revised.  
2015-004 Utility Receipting (Material Weakness) repeated and revised  
2016-001 Under billing for Payroll Services (Material Weakness) repeated and revised  
2016-001 Noncompliance with Payroll (Material Weakness) repeated and revised  
2016-003 Late Audit Report (Significant Deficiency) cleared

Note: For traceability purposes, the audit finding reference numbers reported in prior year audit reports are presented in brackets, and where applicable, have been renumbered to comply with reporting standards.

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

With explanation by the auditor, the Village Clerk has the capability of understanding and accepting responsibility for the Village's GAAP-basis financial statements, however, the Village's personnel do not have the software or time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on October 12, 2017. The following individuals were in attendance.

Village of Maxwell

Don Flynn, Mayor  
Shantelle Gallegos, Councilor  
Shawn Jeffrey, Clerk-Treasurer  
Joy Terry, Deputy Clerk  
Elmer Chavez, Maintenance

Precision Accounting LLC

Melissa R. Santistevan, CPA, CFE, CGMA  
Alexandra Yebra, Staff Accountant  
Zachary Hayes, Staff Accountant